

KOMMUNINVEST COOPERATIVE SOCIETY

Annual Report

2017

+
Sustainability
Report



KOMMUNINVEST

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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.

**277
+ 11**

Kommuninvest is owned by 277 municipalities and 11 county councils/regions.



Green Loans

Green loans were introduced in 2015 for financing environmental and climate-related investments. In 2017, the volume of approved Green Loans rose to SEK 27 (18) billion.

OUR VISION

To be the world's best organisation for local government financial administration, for a beneficial and sustainable society.

Organisation with clear division of roles

Kommuninvest comprises two parts. These are a) the credit market company, Kommuninvest i Sverige AB (the Company) and, b) the Kommuninvest Cooperative Society (the Society).

Kommuninvest Cooperative Society

Administrates membership and the joint and several guarantee.

The Board of Directors consists of elected politicians from municipalities and county councils/regions.

Kommuninvest i Sverige AB

Conducts the financial operations, including funding, liquidity management and lending.

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

Basic concept

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.

Start 1986

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

AAA

Aaa

Kommuninvest i Sverige AB has the highest possible credit rating, AAA/Aaa, and a stable outlook.

SEK 310 bn

At the close of 2017, lending totalled SEK 310 billion.

Important events during the year

Several milestones were reached during 2017, including a UN award for green financing. Kommuninvest's position in the market for municipal financing was strengthened and the European Commission made an important clarification.

50

percent of the sector's borrowing

In 2017, Kommuninvest passed SEK 300 billion in lending, for the first time, as a result of increased borrowing needs among municipalities and county councils, new members and an increased share of lending among existing members. At the end of the year, the lending volume was SEK 310 billion, corresponding to 50 percent of the local government sector's total external borrowing.

Clarification from the EU regarding leverage ratio

During 2017, the European Commission revised the requirements placed on "public development credit institutions" (PDCI), related to the introduction of a leverage ratio requirement. The revised proposal clarifies that even indirect exposures (e.g. lending to municipal companies) are subject to the special leverage regulation for PDCIs. In addition, it is now stated that an institution need not be established under public law to be considered a PDCI.

In Kommuninvest's assessment, the Company meets all of the stated criteria to be defined as a PDCI, which would result in significantly lower capital requirement in contrast to a situation where the leverage ratio is based on the total balance sheet. The leverage ratio requirement is expected to be introduced in 2019, however, the proposal is not final. See also page 35.

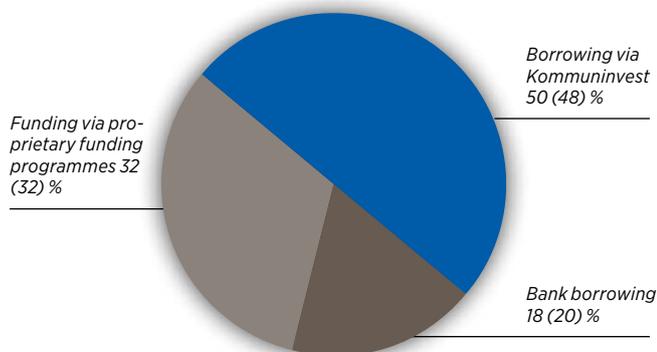


UN award for Swedish municipalities

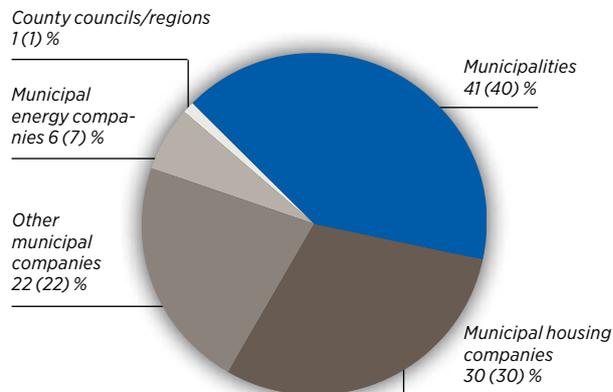
At the UN climate conference COP23, in Bonn in November 2017, the Swedish local government sector received the UN's *Momentum for Change Climate Solutions Award* for the green financing model developed by Kommuninvest and its members.

There to receive the prize was Margareta Rönngren, Deputy Chairman of the municipal executive board in Umeå, and Björn Bergstrand, Head of Sustainability at Kommuninvest. Kommuninvest was one of the three winners nominated in the category Financing for Climate Friendly Investment. According to the UN, the Kommuninvest green finance model is an example of a concrete, innovative and scalable solution by which others can be inspired.

MARKET SHARES, LOCAL GOVERNMENT LOAN FINANCING¹



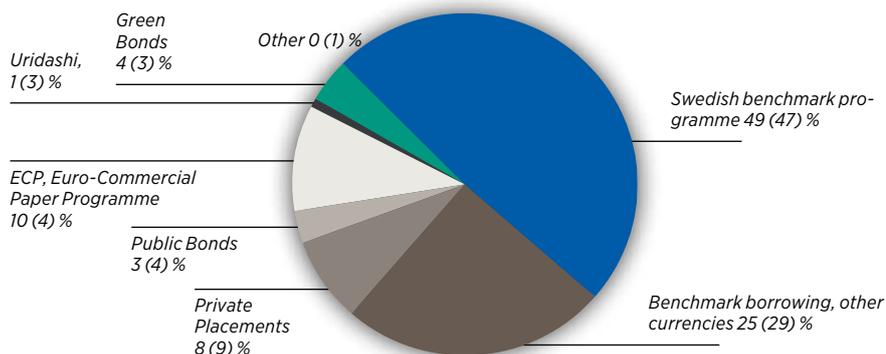
KOMMUNINVEST'S LENDING PORTFOLIO



1) Forecast. Refers to total outstanding borrowing.

BORROWING PORTFOLIO BY BORROWING PROGRAMME

(excl. commercial paper borrowing)



All pie charts refer to 31 December 2017. Figures in parentheses refer to 31 December 2016.

MULTI-YEAR SUMMARY, KOMMUNINVEST GROUP

	2017	2016	2015	2014	2013
Balance sheet total, SEK billion	357.0	361.7	340.6	312.1	277.5
Lending, SEK billion	310.1	277.0	254.4	222.8	208.6
Net profit, SEK, million	1,075.9	358.8	689.9	718.6	745.8
Members, total	288	286	280	280	278
of which, municipalities	277	275	272	272	270
Of which county councils/regions	11	11	8	8	8
Core Tier 1 capital ratio ¹ , %	218.0	106.6	46.2	35.6	37.6
Tier 1 capital ratio ² , %	218.0	106.6	46.2	35.6	37.6
Total capital ratio ³ , %	231.4	117.6	56.9	47.4	56.4
Leverage ratio according to CRR ⁴ , %	1.82	1.60	0.90	0.79	0.58

1) Core Tier 1 capital in relation to total risk exposure. See also pages 34-35 and Note 2.

2) Tier 1 capital in relation to total risk exposure. See also pages 34-35 and Note 2.

3) Total capital base in relation to total risk exposure. See also pages 34-35 and Note 2.

4) Tier 1 capital in relation to total assets and commitments (exposures). See also page 35 and Note 2.



Solid local governments, major challenges

Sweden's local and regional governments face sizeable challenges due to record population growth and rising numbers of elderly. This imposes demands on childcare, schools and housing, as well as for health and residential care. Working together to finance the resulting investments is increasingly important. Kommuninvest plays a key role.

The fact that all of these challenges are taking place simultaneously places great demands on Sweden's municipalities, county councils and regions. Our 288 members fund a large part of their investments through the voluntary financial cooperation offered by Kommuninvest.

Playing a key role in the sustainability transformation

However, the challenges are not solely about volume, but also about quality. Kommuninvest is working hard to increase the knowledge content of its services. This involves demands for long-term sustainability in particular. Both international agreements and the municipalities' own priorities require an increased pace of transition, which has also created a green capital market. Kommuninvest has taken the lead in the green transition, strengthening its capacity to provide sustainable and efficient funding solutions for its members.

Municipalities, county councils and regions are unique key players in this necessary transition. They implement major investments in energy-efficient buildings, sustainable water and waste management, public transport, renewable energy, etc., which are increasingly funded through Kommuninvest's Green loans. In this way, Kommuninvest has been able to establish itself as Sweden's largest issuer of green bonds and a world-leading player in the field.

We are particularly pleased that the UN brought attention to the green funding partnership between the Swedish municipalities and county councils with its Momentum for Change Climate Solutions Award at the Bonn climate summit.

Regulatory issues

The international capital adequacy requirements are of strategic concern to Kommuninvest. We have been living with this issue for several years and hope it will be resolved within the EU in 2018. The proposals at hand entail public finance institutions such as Kommuninvest being granted more favourable terms than those at greater risk. Accordingly, we expect the regulations to grant us opportunities to continue offering favourable terms for public sector investments.

Until the EU has finally established the future leverage ratio requirements, we maintain a self-imposed leverage ratio target of at least 1.5 percent. With capital contributions from new members and those yet to reach the highest level, the

Society continued to increase its capital – by slightly more than SEK 450 million in 2017. Consequently, the leverage ratio at year-end 2017 was strong at 1.82 percent.

Important future debate

Meeting sizeable investment needs sustainably remains in focus for the local government sector. Continuously increasing demand for welfare and the considerable investment challenges ahead raise the question of the need for future organisational reforms in the local government sector. A study of the future structure and conditions of the sector is in progress, and this will likely lead to considerable debate regarding the future. Naturally, Kommuninvest will participate in this debate.

We estimate that local government investment and external debt will increase by at least 5 percent annually. At the same time, the Swedish economy is growing at a good pace and the local government sector is showing stable results. Under these conditions, the rate of investment will be manageable.

Good starting position

For Kommuninvest, 2017 was a good year – positive market development, strong results and a high level of surplus distributed to the members. Our internal efficiency efforts and a new pricing strategy to be able to offer loans at even lower prices, provide a good foundation for continued development. We work every day to ensure secure and cost-efficient financing for investments in Swedish welfare, and we do so in a manner that is appreciated by our rising number of members. As Chairman, I look forward to the upcoming years with confidence.

Norrköping, March 2017



Göran Färm
Chairman

The local government sector shows its strength

Overall, the Swedish local government sector has managed to show surpluses for quite a few years.

This is impressive and proof that in Sweden we have a framework for stable public finances that works. Kommuninvest, the sector's collaborative venture in financing, looks back on a strong year.

Nearly 290 municipalities and county councils/regions are members of Kommuninvest Cooperative Society, and are thus, together with their majority-owned companies, associations and foundations entitled to borrow funds from Kommuninvest i Sverige AB. It is in the service of our members and customers that we work each day to ensure secure and cost-effective financing for investments in Swedish welfare.

Membership benefits for all

The total lending volume rose by 12 percent over the year to SEK 310 billion, as a result of increased investment and borrowing needs in the local government sector, but also because our share of the sector's overall borrowing is increasing. Membership growth has continued, with the Municipality of Linköping and the City of Mölndal becoming new members.

High refund of a non-recurring nature

For 2017, Kommuninvest achieved a financial outcome that may seem high for a basically non-profit organisation. To a significant extent, it is the result of previous years' operations that have become visible, and a substantial refund to members, corresponding to 30 basis points on the members' loan volume, is planned. In the future, we expect Kommuninvest's economies of scale to benefit members and customers directly through lower interest rates.

Cost-effective borrowing and matching

Efficient funding and low administrative costs are crucial to Kommuninvest being able to generate long-term added value for its members in the form of lower borrowing costs. The Company places increasing emphasis on its strategic borrowing markets in USD and SEK, and has undertaken a series of measures to increase the attractiveness of its bonds. The Swedish market in particular is in focus.

Green realignment unites local government and investors

Today, institutional investors increasingly seek sustainable management of their funds, and also to finance clearly defined green and/or social projects. For credit institutions such as Kommuninvest that, in principle, focus exclusively on financing sustainable, green and social investment by municipalities and county councils/regions, this offers

favourable opportunities. To date, efforts with Green Loans and Green Bonds have been successful, and the award conferred by the UNFCCC Secretariat during the year provides valued recognition.

Local government debt office for the future

In the process of change in progress within Kommuninvest i Sverige AB, four areas are in focus: Customers, Digitisation, Efficiency and Competence. In these areas, the Company is gathering its forces to ensure that Kommuninvest will continue to be able to meet the expectations of its members and customers in the future. We are partnering with Örebro University on artificial intelligence to simplify and improve analytical services.

Thanks to the KI Finans service, local government officials can, with the simple click of a button, obtain reports that would previously have taken several days to compile. The service also grants Kommuninvest access to large amounts of data on local government debt management. This enables in-depth analysis and more effective debt management for Kommuninvest's members and customers.

Common denominators in developing Kommuninvest for the future are active dialogues with customers and members. Members forums, finance seminars and different customer reference groups are important platforms.

Investment pace requires sustainable finances

Rapid population growth in Sweden, strong urbanisation and demographic changes mean that the local government sector needs to invest in new, upgraded and expanded infrastructure. The fact that municipalities and county councils/regions finance essential investments through loans does not automatically entail increased risk, although it does require good financial results. Promoting local government finances that are sustainable in the long term must therefore remain a priority.

Kommuninvest Cooperative Society



Tomas Werngren
President and CEO





Sustainability Report 2017

A significant part of the future investments that will be made in Sweden will be implemented by some of the 288 municipalities and county councils/regions that are members of Kommuninvest. This entails Kommuninvest being involved in the financing of housing, schools, energy plants, homes for the elderly, hospitals and other key social infrastructure around Sweden. In this way, we contribute to a stronger welfare and a sustainable society.

Taking responsibility for how our operations affect society comes naturally to us. However, it is by offering our members attractive financing solutions that we make a real difference. Through our operations, we create scope and opportunities to accept greater economic, environmental and social responsibility.

The municipalities, county councils and regions form the backbone of the Swedish welfare state. It is under the management of these organisations that citizens encounter the most central social services, including healthcare, education and residential care. They also play a central role in the basic social infrastructure, in the form of housing construction, energy supply, public transport, water and sanitation, waste management and recycling, etc. More than half of public investment takes place in the local government sector, with local government investments making significant contributions to the Swedish economy.

The local government sector is also a major employer. Of the total number of jobs in Sweden in 2016, municipalities, municipal companies and county councils/regions account for approximately 25 percent.

Over the upcoming years, the local government sector will need to make major investments – to create the conditions for continued growth, the build-out of welfare and for upgrading and modernising facilities and buildings constructed in previous periods of expansion. What these substantial investments share are the high sustainability ambitions applied. Consequently, Kommuninvest considers supporting sustainability work at the local and regional levels, that is, among our municipalities and county councils/regions, to be a central task that it meets by providing sustainable financing solutions.

The Sustainability Report, including key data, covers the entire Kommuninvest Group.

The UN’s development goals and the Swedish local government sector’s sustainability efforts

Almost half of all Swedish municipalities and county councils/regions use Agenda 2030 in their sustainability work, according to a survey from the Swedish Association of Local Authorities and Regions (SALAR).

In 2015, the UN’s new global development goals, were adopted, the so-called Agenda 2030 targets for sustainable development. There are 17 of these targets, backed by 169 interim targets. To obtain a better picture of what Agenda 2030 looks like around the country, Swedish Association of Local Authorities and Regions (SALAR) conducted a survey in the spring of 2017 together with UNA Sweden and the secretariat of the Agenda 2030 delegation.

The survey showed that:

- Nearly half of the municipalities, county councils and regions use Agenda 2030 as a tool for sustainable development.
- For a long time, the local government sector has been working actively on sustainable development – even where Agenda 2030 is not used directly as a tool or label for the process.
- In 24 municipalities and seven county councils, the municipal executive board/county/regional administrative board or the council has adopted some position with regard to Agenda 2030.
- Agenda 2030 is perceived as a positive umbrella under which sustainability efforts are gathered, particularly for collectively communicating the three dimensions of sustainability – the social, environmental and economic dimensions.

SALAR has also charted the extent to which its focus document for 2016–2019, Responsibility for Welfare, adopted by its general assembly, is in line with the goals of Agenda 2030. The focus document describes how SALAR, as the sector organisation for Sweden’s municipalities and county councils/regions, will perform its work over the period. The analysis shows a direct or indirect link to 16 of the 17 global goals. The focus document aligns with the global and interim targets, not only in how it links to them, but also in how its vision, supporting texts and perspectives largely reflect the spirit of Agenda 2030.



Integrating new arrivals into Swedish schools requires new methods. Pupils in the preparation classes at the Vivallaskolan school in Örebro are divided up and moved to other schools in the hope that more mixed classes will raise the level and reduce the knowledge gap.



How we create sustainable value to society

Kommuninvest operations serve to secure long-term, stable financing for members' investments. 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.

1 Kommuninvest's conditions

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

- The Company has the highest credit rating from both S&P Global Ratings and Moody's.
- At the end of 2017, 96 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 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. To safeguard good capacity to meet payment commitments, the Company maintains a liquidity reserve of highly liquid fixed-income securities with exceptional credit quality.

- In 2017, Kommuninvest borrowed SEK 76 (104) billion. Total borrowing amounted to SEK 339 (344) billion.
- At the end of 2017, SEK 38 (60) billion was managed by Kommuninvest within the liquidity reserve, which corresponded to 12 (22) percent of the lending volume.
- At the end of the year, lending totalled SEK 310 (277) billion.

3 Kommuninvest's direct impact

From a sustainability perspective, Kommuninvest's main direct impact primarily involves how our operations affect the Company's stakeholders and society through our loan financing, our responsibility for our employees, our local collaboration efforts and our direct environmental impact. 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.

- Kommuninvest continued to be the local government player borrowing at the lowest cost in the capital market, and market share among members strengthened. In addition to being able to offer our members very attractive financing, our good results have enabled the distribution of a surplus of SEK 445 (501) million from the Society to the members.
- All members of the Society have access to KI Finans, the tool for more efficient debt management that Kommuninvest has developed. 66 (57) percent of members use the full-scale version.
- Kommuninvest's reputation among employees and investors remained at a high level in the surveys conducted.

4 Kommuninvest's indirect impact

Kommuninvest makes it possible for municipalities and county councils/regions 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 2017, Kommuninvest accounted for 50 (48) percent of total local government borrowing in Sweden.
- The volume of approved Green loans rose to SEK 27 (18) billion. During 2017, 65 (72) investment projects obtained financing with Green Loans, which are provided to environmental and climate-related initiatives.
- Kommuninvest received the UN's Momentum for Change Climate Solutions Award and led a Nordic harmonisation initiative on impact reporting for Green Bonds.
- Kommuninvest's operational model contributes to increased stability and security for members. The Company'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.
- Kommuninvest contributes to the local community, for example, through its partnership with Örebro University and several initiatives to reduce exclusion, help young people and boost business ventures led by women.
- Kommuninvest's international commitment contributes to increased awareness on sustainable local government debt management even outside Sweden.

1 Kommuninvest's conditions

<p>Financial stability</p>	<p>Member-owned</p>	<p>Employee competence</p>	<p>Structural capital</p>	<p>Vision "a beneficial and sustainable society."</p>
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2 Kommuninvest's operations

<p style="text-align: center;">Funding</p> <p>Kommuninvest borrows money by issuing bonds and commercial papers in the Swedish and international capital markets.</p> <p>Total borrowing, SEK 339 billion.</p>	<p style="text-align: center;">Liquidity management</p> <p>Kommuninvest manages a reserve of highly liquid interest-bearing securities in order to be able to fulfil payment commitments even during stressed market situations.</p> <p>Total liquidity reserve, SEK 38 billion.</p>	<p style="text-align: center;">Lending</p> <p>Kommuninvest solely lends money to municipalities and county councils/regions who are members of the Kommuninvest Cooperative Society and, against guarantees from members, to municipal companies, foundations and associations.</p> <p>Total lending, SEK 310 billion.</p>
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3 Kommuninvest's direct influence

 <p>Lending</p>	 <p>Green Loans</p>	 <p>Effective debt management</p>	 <p>Reputation (CSI, ESI, ISI)</p>	 <p>Distribution of surpluses</p>
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4 Kommuninvest's indirect influence

 <p>Building public welfare</p>	 <p>Sweden's environmental objectives</p>	 <p>Stability in local government finances</p>	 <p>Activities in the local community</p>	 <p>International commitment</p>
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Focus of sustainability efforts

Behaving ethically and taking responsibility for economic, environmental and long-term sustainable social development are fundamental elements of Kommuninvest's sustainability efforts. We also seek to promote a dynamic dialogue and communications with stakeholders about this work.

Stakeholder dialogue

Kommuninvest has relationships with a range of stakeholders who, in different ways affect – and are affected by – our operations. It is very important that we listen to our stakeholders to identify the economic, social and environmental issues that Kommuninvest's activities affect and that stakeholders consider essential.

Kommuninvest's stakeholder dialogue involves, for example, systematic meetings with customers and owners, discussions with personnel representatives and representatives from central government ministries and authorities. In addition, Kommuninvest conducts regular surveys among owners, customers, employees and investors. As a basis for our sustainability work in 2017 and beyond, a survey on key sustainability issues was conducted among the Company's key stakeholders at the end of 2016. The intention is to repeat the survey every two years.

Municipalities and county councils/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 finance specialists from municipal and county council/region offices/bodies.

These dialogues with the 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 2017, member consultations were held in 18 locations around Sweden with 315 participants. For customers, annual financial seminars are held across the country, but also meetings with various customer constellations. The 2017 financial seminars were held in eight locations with a total of 227 participants.

The ongoing dialogue with other societal actors – central 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.

Materiality analysis

Through the stakeholder dialogue, Kommuninvest forms an idea of which sustainability issues the Company should work with. In the stakeholder survey on sustainability conducted in late 2016, external and internal stakeholders were asked to prioritise which initiatives Kommuninvest should prioritise. Environmental aspects of lending and borrowing are the issues considered most important by stakeholders.

Governance of sustainability work

The Sustainability Manager is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department heads, who are responsible for taking sustainability aspects into account within their respective areas of responsibility. Guidelines for sustainability work are detailed in a Sustainability Policy adopted by the Company's Board of Directors, and are further specified in supplementary policies and instructions relating to occupational and personal safety, IT security, equality and diversity, competence supply, bribery and hospitality, and regulatory compliance.

Sustainability risks

Sustainability risk is the risk that Kommuninvest's operations will directly or indirectly affect their surroundings negatively in terms of business ethics and corruption, including money laundering and terrorism financing, climate and environment, as well as human rights, including working conditions. Kommuninvest considers itself primarily exposed to sustainability risks related to ethics, IT security and so-called green-washing, that is, the risk that environmental and climate-related investment projects that it funds fail to meet sustainability requirements.

Kommuninvest's actions to address sustainability risks are largely governed by national and international regulations and guidelines alongside the Society's Ownership Directive, internal instructions and policies. With regard to "green financing", the Company's sustainability risk is managed through a Green Bond Framework, including the expert committee responsible for evaluating and approving investment projects for green financing.

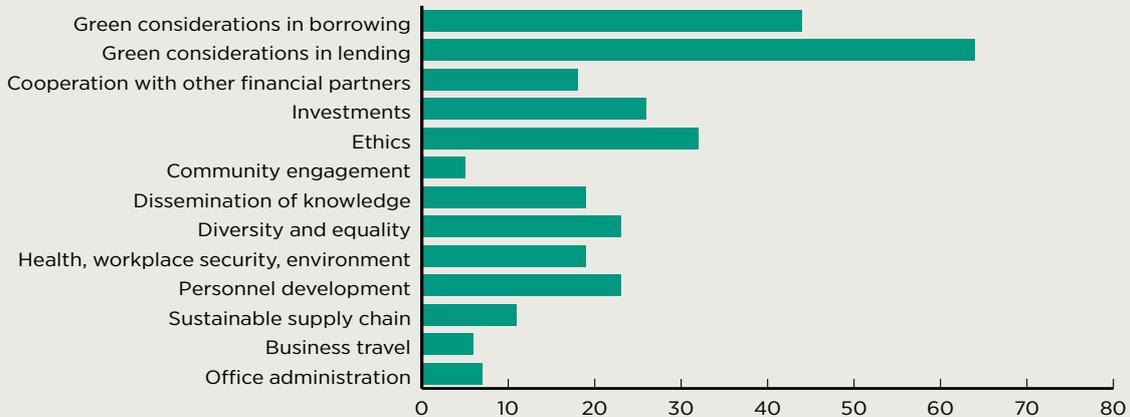
Focus areas

Stable and cost-effective financing solutions

Kommuninvest's basic mission is ensuring that Swedish municipalities and county councils/regions are able to access loan financing on favourable terms, including during periods

Sustainability survey: The most important measures to prioritise¹

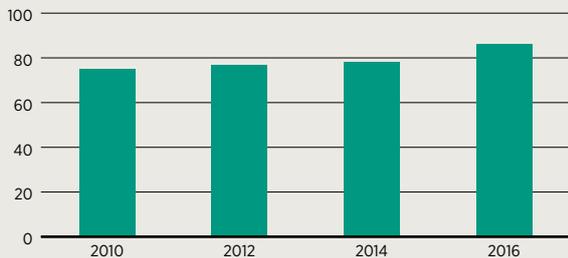
Number of respondents: 80



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

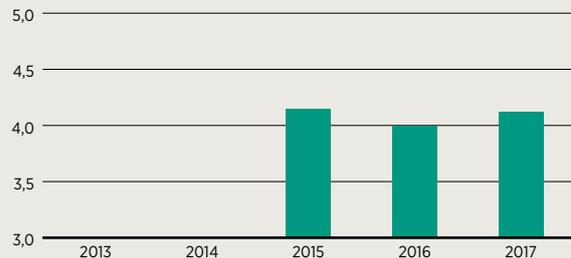
The Sustainability survey was conducted at the end of 2016 and is intended to be repeated biannually.

Customer satisfaction survey



* Index between 60-75 is deemed "Satisfied", index of 75 or more is considered "Very satisfied". Survey conducted biannually.

Investor satisfaction survey



* In 2017, Kommuninvest was placed as the second (third) best rated credit institution in the international investor survey. The survey was first conducted in 2015.

of unease in the financial markets. Accordingly, as the dominant lenders, we help foster conditions for welfare investments that are both cost-effective and sustainable.

Green Loans and Green Bonds

Kommuninvest is encountering increasing demand for financial instruments allowing both borrowers and investors to express their sustainability ambitions in concrete terms.

Kommuninvest currently offers Green Loans for the financing of local government investment projects with clear environmental and climate benefits. Kommuninvest funds its Green Loans by issuing Green Bonds.

Attractive workplace

A culture characterised by diversity, gender equality and committed employees is essential if Kommuninvest is to successfully perform its mission. Kommuninvest works proactively in all of these areas and has a high proportion of women in management positions, a high proportion of employees with a foreign background and a strong commitment to employees.

Review inspired by GRI

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

Economic responsibility

Kommuninvest finances the development of Sweden's local and regional sectors, as well as investments for a sound and sustainable society. The Company and its employees shall adhere to the legislation, regulations and rules applicable to the operations and shall always behave in an ethically correct manner, with transparency, integrity and honesty.

The Company applies zero tolerance to all kinds of corruption. No employee may provide or receive benefits that may be considered unfair and therefore criminal. The Company is required to identify and manage all potential and arisen conflicts of interest.

Local government debt office

Kommuninvest's role in sustainability work primarily involves continuing to provide the Swedish local government sector with stable and efficient financing at the lowest possible cost. Accordingly, Kommuninvest fulfils a similar role for the local government sector as the National Debt Office does for the central government and its authorities.

Financing at lower cost means that tax funds stretch further. The fact that Kommuninvest has been able to continue offering financing during periods of financial unease, contributes to the security of the local government sector and the stability of the financial system. Accordingly, an indirect effect of Kommuninvest's work is the strengthening of financial sustainability among the members, by ensuring the most effective possible financing, and by providing advice and support during the funding process.

Kommuninvest was established in 1986 to provide municipalities with access to an additional source of funding, as a complement to loans through the banking system. Our lending operations are limited to Swedish municipalities and county councils/regions, including their majority owned companies and foundations. The operations are to be characterised by the lowest possible risk exposure as possible and lack of vested interest in generating profit. To ensure high creditworthiness and low borrowing costs, the members of Kommuninvest Cooperative Society have entered into a joint-and-several guarantee undertaking for the Company's commitments.

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 2017, they amounted to 6.1 (5.5) basis points in relation to total assets.

The profits generated in the operations are returned to the members in the form of interest on capital contributions and refunds in relation to business volume. In this way, SEK 445.4

(500.7) million was transferred back to the members of the Society in 2017.

Anti-corruption and business ethics

Kommuninvest strives for its transactions and relationships to be pervaded by good business ethics, as evident in both the Company's Code of Conduct and its Sustainability Policy. The Company's employees shall adhere to the legislation, regulations and rules applicable to the operations and shall always behave in an ethically correct manner, with transparency, integrity and honesty. Zero tolerance of all forms of corruption applies.

Risk assessment of the business model and business relationship is done to ensure that work focuses on low-risk countries. Suspicions of serious irregularities that could entail or lead to a breach of law are to be reported. Such violations can also be reported anonymously via a whistleblower function handled by an external party. No matters related to anti-corruption or guidelines on money laundering have been investigated during the year.

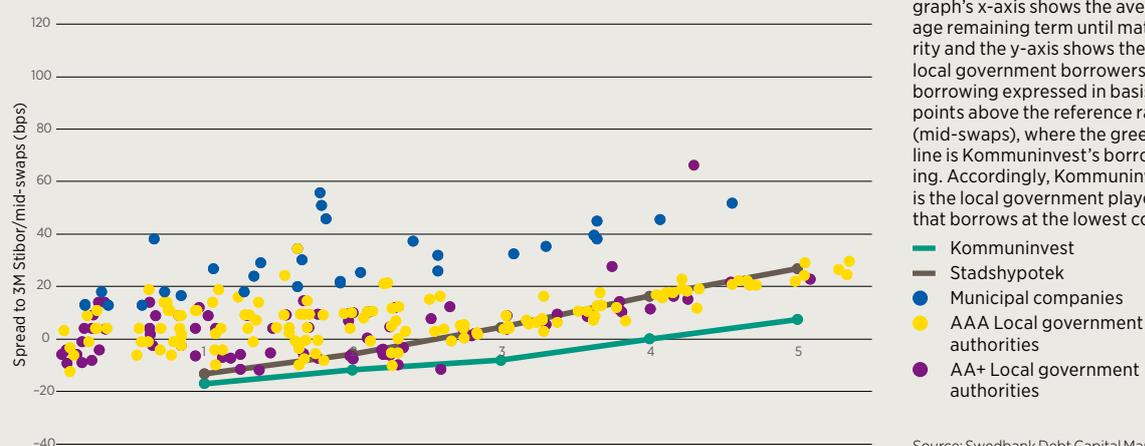
Lowest borrowing costs

The graph on the next page compares local government funding costs in the Swedish fixed-income market, in relation to a reference rate and to remaining time to maturity. The green line demonstrates that Kommuninvest is the local government player that borrows at the lowest cost, approximately 20–40 basis points lower than other players, depending on maturity.

In-depth knowledge of conditions in the sector

Through in-house research and reports, Kommuninvest seeks to increase knowledge of the local government sector's long-term financial conditions. Kommuninvest has, among other things, an in-depth partnership with the University of Örebro, promoting, for example, research on the local government sector's debt management and financial conditions. Each year, we publish reports describing developments in local government investment and its funding, and we specifically study trends and phenomena associated with local government borrowing, debt and investment. In 2017, an open database was launched, enabling comparison between all of Sweden's local government authorities with regard to trends in investment, borrowing debt and population.

Pricing for local government issuers, Swedish fixed-income market as per 12 February 2018



Source: Swedbank Debt Capital Markets

Generating financial value – Kommuninvest Group

	Unit	2017	2016	2015
Total revenue				
Interest revenues	SEK, million	452.3	654.0	1,438.3
Other operating income	SEK, million	6.2	7.2	4.5
Distributed value				
Interest expenses	SEK, million	-426.4	-107.9	640.0
Commission expenses	SEK, million	7.3	5.2	5.3
Salaries and emoluments	SEK, million	70.4	68.1	62.0
Pension expenses, training expenses and other personnel expenses ¹	SEK, million	21.1	29.4	20.6
Social security contributions and payroll tax on pension expenses	SEK, million	25.3	23.7	22.0
Resolution charge/stability fee	SEK, million	66.3	31.4	120.5
Other operating expenses ¹	SEK, million	102.6	93.2	79.4
Tax	SEK, million	28.0	0.4	-31.2
Transferred to the members of the Society during the year, refunds on business volumes and interest on member contributions for the previous financial year ²	SEK, million	445.4	500.7	679.5
Efficiency				
Operating expenses, excluding resolution charge/stability fee as % of total assets	%	0.061	0.055	0.051

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 2017 refer to the 2016 financial year.

Social responsibility

Respect for human rights is a basic prerequisite for being able to generate value within Kommuninvest in the long term. We will work to prevent discrimination, promote diversity and equality, and ensure good working conditions.

The Company shall avoid causing or contributing to a negative impact on human rights in its own operations and address any such impact if it arises. Employees should be able to combine working life and their free time.

Kommuninvest shall have good knowledge of, and compliance with, applicable legislation and labour market agreements. This involves, in particular, discrimination legislation, environmental legislation, legislation regarding public companies and legislation relating to business relations. No form of discrimination is tolerated within the Company.

Equality, diversity and development

Kommuninvest's Gender Equality and Diversity Policy emphasises the importance of gender equality and diversity in the organisation, to ensure that the Company is an attractive employer for both current and potential employees.

At the end of 2017, 49 (41) percent of the total number of employees were women. Of the managers, 38 (45) percent were women and, in the Executive Management Team, the proportion was 40 (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.

An internal survey showed that, at the start of 2018, 18 percent of the Company's employees came from countries other than Sweden. A total of 13 different countries are represented in the organisation.

The year's employee survey

The result of this year's employee survey shows that Kommuninvest is an equal and non-discriminatory workplace, where employees feel considerable commitment to Kommuninvest's social mission. Employees also perceive Kommuninvest as a workplace where you can combine work and leisure. Areas for improvement include the pace of work and stress, as well as internal communications. The 2017 Employee Satisfaction Index amounted to 68 (69) and the Employee Loyalty Index to 75 (this is a new measure) – combined, the Company had 81 percent satisfied and loyal employees, which is considered a relatively high value.

Sustainable daily life

Increasing absenteeism due to work-related stress and other psychosocial factors have caused Kommuninvest to initiate ambitious efforts within a programme we call Sustainable Daily Life. Within this programme, employees are offered 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.

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 people an 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 two rounds have been gratifying. Following their year-long internship at Kommuninvest, four people have permanent jobs with other employers in the financial sector, jobs that match their educational profiles.

Initiatives in the local community

Kommuninvest does not work with sponsorship in traditional terms, but seeks cooperation partners who have a pronounced social commitment, with an emphasis on ventures in Örebro, where the Company has its head office. We focus on activities involving education, culture and social inclusion and share our values in terms of gender equality, diversity and ethics. Initiatives include helping immigrant upper-secondary pupils with their homework, support for artistic endeavours within Open-Art, opportunities for football and horse riding for people with disabilities, as well as initiatives for immigrant women in the district of Vivalla.

Funding in support of increased social sustainability

In an increasing number of municipalities, strategic efforts are being conducted, focusing on social sustainability, as well as preventive efforts to address areas with significant social challenges, and associated social costs. Municipalities and county councils/regions are responsible for, and active in, a number of areas linked to social sustainability, including integration, education, health, gender equality and diversity. Through financing, the players in the capital markets are increasingly interested in supporting infrastructure ventures and initiates with a social impact. This is a trend that Kommuninvest is monitoring. In 2017, we participated, for example, in a pilot project led by the Swedish Association of Local Authorities and Regions (SALAR) on social outcome contracts.



Vivillalla: womens' co-op to boost employment

In the Örebro district of Vivalla, a women's cooperative was started in 2017, at Kommuninvest's initiative. The purpose is to create job opportunities for women with an immigrant background. The Vivalla district has high unemployment and a large share of inhabitants born in other countries. The name of the cooperative, Vivillalla ("We all want") signals

an ambition that the cooperative members want real jobs and want to offer services that meet sustainable demand. Currently, sewing services and catering are offered. The sewing business has signed an agreement with the IKEA store in Örebro, which channels the cooperative's services to prospective customers who need sewing assistance

for instance with curtains. In the future, cleaning services may be offered. The cooperative has received financial support from Kommuninvest and Sparbanksstiftelsen Nya, and will be part of an academic research project involving researchers from Örebro University and the Stockholm School of Economics.

Employee statistics – Kommuninvest Group

	Unit	2017	2016	2015
Total number of employees, including those on part-time and probationary employment ¹	Number	106	97	90
Proportion of women/men – total	%	49/51	41/59	39/61
Proportion of women/men – all managers	%	38/62	45/55	58/42
Proportion of women/men – Executive Management Team	%	40/60	67/33	67/33
Average number of full-time annual employees (based on hours worked)	Number	91	85	78
Employment period <2 years (based on permanent employees)	%	17	14	25
Employment period 2-4 years	%	29	35	29
Employment period 5-9 years	%	28	25	24
Employment period >10 years	%	26	25	22
Personnel turnover	%	10	3	5
Participation in employee survey	%	95	84	94
Proportion of employees with university education	%	93	88	89
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	63	84	92

¹) 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 96 at the end of 2017.

Environmental responsibility

Kommuninvest's view is that integrated consideration for the environment is a prerequisite for long-term value creation. The work is partly performed by addressing the direct environmental impact of the office operations, purchasing and services, and partly by managing the indirect environmental impact from the financial operations, i.e. lending, borrowing and management of the liquidity reserve.

Reduced emissions from business travel

Kommuninvest's direct environmental impact primarily relates to energy use at the Örebro head office, office supplies and business travel. Kommuninvest seeks to reduce the environmental impact of office operations, by means of environmentally labelled electricity, motion-controlled lighting and plumbing fixtures, micro-flush toilets, and a high level of recycling/sorting of waste. The nature of operations implies a need for domestic and international long-distance travel. Train is to be prioritised between locations with favourable connections. After a major renovation in 2016, the Company expanded into larger office space in 2017. Compared with 2015, energy consumption has been reduced to 264 (271) kWh per sq.m., however energy consumption per employee has risen to 6,436 (5,447) kWh per employee. In 2017, carbon dioxide emissions from business travel amounted to 139.2 (231.7) tonnes or 1.5 (2.7) tonnes per employee.

Digitisation reduces paper consumption

Through a major digitisation project, Kommuninvest is becoming increasingly paperless. Client mailings, which are now available in digital format through the KI Finans debt management service include membership contribution certificates, commitment advice slips, guarantee certificates, deposit, engagement statements and interest advice slips for subordinated loans. In addition to reduced paper consumption and reduced distribution costs, transport needs also diminish. Overall, paper consumption decreased in 2017 by more than 35 percent to 0.5 (0.8) tonnes.

Green Loans support the local government sector's sustainability efforts

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.

Green Loans were introduced in 2015 and allow financing of investment projects undertaken by Kommuninvest's member municipalities and county councils/regions, including renewable energy, energy efficiency, green buildings, public transport and water management. 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 2017, Kommuninvest had approved SEK 26.9 (17.8) billion for 149 (83) green investment projects. Most of the projects involve renewable energy and green buildings. The total anticipated annual reduction in CO₂ emissions from these projects is published in the *Kommuninvest Green Bonds Impact Report*, available on the Company's web page.

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.

Largest Swedish issuer of Green Bonds

Kommuninvest finances Green Loans by issuing Green Bonds. Three Green Bonds have been issued since March 2016, and a total of SEK 14.4 (10.0) billion was outstanding at the end of 2017. Investors consist primarily of institutional investors with a clear sustainability focus, such as Affirmative Investment Management, AP-fonderna, Alecta, Amundi Folksam Group, German KfW, SEB Investment Management, SBAB, SPP Storebrand, the CalSTRS pension fund for teachers in California, and the UN employees' pension fund (UNJSPF).

Active role in the development of industry standards

Kommuninvest's Green Bond framework adheres to a number of principles and guidelines voluntarily developed by market participants. Kommuninvest is a member of Green Bond Principles. In 2017, the Nordic Public Sector Issuers report was launched: Position Paper on Green Bonds Impact Reporting, a collaboration on impact reporting between Nordic public Green Bond issuers. This initiative has been led and coordinated by Kommuninvest.

UN award for green financial cooperation

Since the launch of the green framework, Kommuninvest has received several awards. At the climate summit in Bonn in the autumn of 2017, the UN Climate Secretariat noted 19 global initiatives as role models in climate adjustment. Kommuninvest received the *Momentum for Change Climate Solutions Award* for its model for granting Swedish municipalities and county councils access to green funding.

Framework covering 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.

Project category	Disbursed and		# of projects
	Committed SEK bn	outstanding, SEK bn	
Green buildings	13,009.3	9,829.3	89
Renewable energy	9,858.7	7,692.0	39
Water management	3,218.9	1,587.6	12
Public transport	470.9	470.0	4
Energy efficiency	235.0	235.0	3
Waste management	125.0	125.0	1
Adaptation measures	16.0	16.0	1
Environmental mgmt	0.0	0.0	0
Total	26,933.7	19,954.9	149

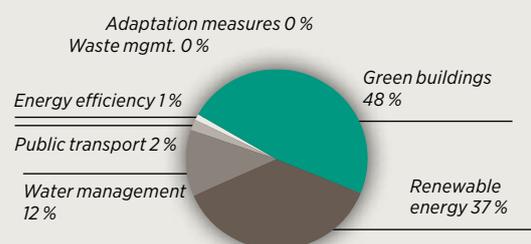
Green lending and borrowing

31 December 2017



Distribution Green Loans by category

31 December 2017



Environmental indicators – Kommuninvest Group

	Unit	2017	2016	2015
Energy consumption				
Total energy consumption (in buildings)	kWh	585,678	463,034	406,160
– of which, electricity	kWh	333,210	295,084	298,087
– of which, heating	kWh	252,468	167,950	108,073
Proportion of renewable energy in energy consumption of electricity	%	100	n/a	50
Change in electricity consumption compared to the preceding year	%	-13	-1	-8
Proportion of renewable energy in energy consumption for heating	%	100	n/a	95
Total office space	m ²	2,217	2,217	1,498
Total energy consumption per square metre	kWh/m ²	264	209	271
Total energy consumption per employee	kWh	6,436	5,447	5,207
Resource usage				
Purchased office paper	Tonnes	0.5	0.8	1.3
– of which sustainability labelled paper (PEFC)	Tonnes	0.5	0.8	1.3
Proportion of sustainability labelled office paper, of total purchases	%	100	100	100
Total paper consumption per employee	Kilos	11.0	11.8	12.8
Paper recycling, incl. purchased and delivered paper	Tonnes	3.0	2.4	2.1
Business travel				
Total business travel	Km	887,488	1,319,646	1,081,226
Total business travel per employee	Km	9,753	15,525	13,862
Total air travel	Km	591,480	992,144	770,526
Rail travel in Sweden	Km	291,456	327,162	305,287
Total CO ₂ emissions from business travel	Tonnes	139.2	231.7	177.3
CO ₂ emissions from business travel, per employee	Tonnes	1.5	2.7	2.3

Auditor's opinion regarding the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2017 on pages 10–21 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe

that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 19 March 2018
KPMG AB

Anders Tagde
Authorized Public Accountant

Board of Directors' Report

- Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2016), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2016 unless otherwise indicated.
- Comments on the Income statement, Balance sheet and Changes in equity are provided in connection with the statements on pages 47, 49 and 51.
- In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Kommuninvest Cooperative Society has chosen to prepare the statutory Sustainability Report separately from the Annual Report. The Sustainability Report is available on pages 10–22 of this document.



New strategic plan adopted

Multi-year summary

For 2013-2017, the Company has delivered Group contributions to the Society totalling SEK 3,458.3 million. Of this, SEK 3,291.8 million was paid to members of the Society, with SEK 329.9 million being paid in the form of interest on capital contributions, and SEK 2,961.9 million being paid in the form of a refund based on business volume.

The Company's strong growth has continued and total lending passed SEK 300 billion during the year, an increase of nearly 50 percent since 2013. The Company's share of the local government sector's external funding has increased from 44 to 50 percent. The increased demand from the local government sector is still the strongest driving force for the Company's growth, but new members joining the Society are also contributing to the favourable trend. Fourteen new members, of which three county councils/regions have been added in the past five years.

The increase in total assets since 2013 is less than the increase in lending thanks to a conscious strategy to reduce the relative size of the liquidity reserve.

In recent years, the members of the Society have capitalised the Group with the target of achieving a leverage ratio of 1.5 percent. Shareholders' equity in the Group has thus increased from SEK 2.4 billion in 2013 to SEK 8.4 billion in 2017 and the leverage ratio was 1.82 percent on 31 December 2017.

In 2014, Kommuninvest launched the KI Finans digital debt management system, a web-based solution offering access to market information and services in debt and asset management. Over the year, the service was developed with several additional and improved features and, in 2018, new liquidity management and investment planning functions will be launched.

Kommuninvest has been offering Green Loans since June 2015. Since then, the product has grown to SEK 26.9 billion in granted volumes, with regard to 149 green investment projects. With Green Loans as the basis, Kommuninvest is able to issue Green Bonds. The first Green Bond was issued in March 2016 and, at the end of 2017, Kommuninvest had three issues outstanding, corresponding to SEK 14.4 billion.

For multi-year data in table format, see page 94.

Operational governance in 2017

Operational governance in the Company takes the vision and business concept established by the Annual General Meeting as

Strategic focus

The Company shall meet customers' needs in local government finance management by conducting knowledge-based operations with a conservative risk appetite and effective working methods, contributing to financial stability and cost-effective debt management.

its starting point, as well as strategies and objectives established by the Company's Board of Directors.

To facilitate control and review, operational governance was supplemented with four focus areas during the year, setting the framework for the Company's continued process of change. The Company has also defined three business areas to clarify its future focus: Financing, Digital Services and Consultation.

<p>Customer</p> <p>To be the customer's first choice in local government finance management by adapting product and service offerings within all selected customer segments.</p>	<p>Efficiency</p> <p>The Company's lending price, average funding cost plus various marginal supplements, are competitive in relation to the local government authorities' proprietary borrowing.</p>
<p>Digitisation</p> <p>To increase the organisation's adaptability by improving working methods and platforms for development and innovation.</p>	<p>Competence</p> <p>To broaden and deepen employees' competence to safeguard competitive operations in the future.</p>

Financing constitutes the traditional business operations in lending, funding and liquidity management, and encompasses all current credit services, including Green Loans. In **Digital services** the Company can offer a portfolio of technical tools facilitating members' financial decisions. These tools will be gathered within KI Finans. In **Consultation** the Company can offer training, debt portfolio analysis and business intelligence. Members' needs will govern what services are offered, meaning that the content of each business area may change over time.



In the upcoming years, the Company's process of change will focus on developing effective digital solutions for traditional business operations. The purpose is to release resources that, with the support of a growing portfolio of digital services, can be focused on generating added value for members in the Consultation business area. The illustration below, in which the segments represent available time, describes the desired change.

Growing market for Kommuninvest's loans

In 2017, the Swedish local government loan market grew by SEK 40 billion to SEK 616 (576) billion¹. Growth is driven by continued high investment volumes in the municipalities and municipal companies. Of the local government sector's total borrowing, 50 (48) percent was financed through Kommuninvest.

Although the local government sector's external borrowing has risen sharply in volume over the past five-year period, it remains low relative to the country's economic development. Between 2012 and 2017, borrowing in nominal terms rose by SEK 157 billion, mainly as a consequence of high levels of investment among the local government authorities and municipal companies. As a proportion of Sweden's GDP, local government debt at the end of 2017 was estimated at 13.2 percent of GDP, compared with 12.5 percent at the end of 2012.

Investments encompass many of the areas for which local government authorities are responsible, with the emphasis being on properties, infrastructure and energy supply. The increase in borrowing is driven primarily by development in the country's growth municipalities.

Swedish local government sector's largest lender

The portion of the local government sector's borrowing that is conducted via Kommuninvest has increased substantially since 2000. The primary reason is the large number of new members of the Society, which has given an increasing number of local government authorities and municipal companies access to credit from the

Company. At the same time, the competitiveness of the banks has gradually weakened in the wake of new financial regulations, primarily benefiting Kommuninvest but also borrowing via the capital market, which is mainly an alternative for the larger local government borrowers. Kommuninvest estimates that the Company accounted for 50 (48) percent of the sector's loan financing at the end of 2017. Borrowing via the bank sector accounted for 18 (20) percent and direct borrowing via the capital market through the authorities' own bond and commercial paper programmes accounted for 32 (32) percent.

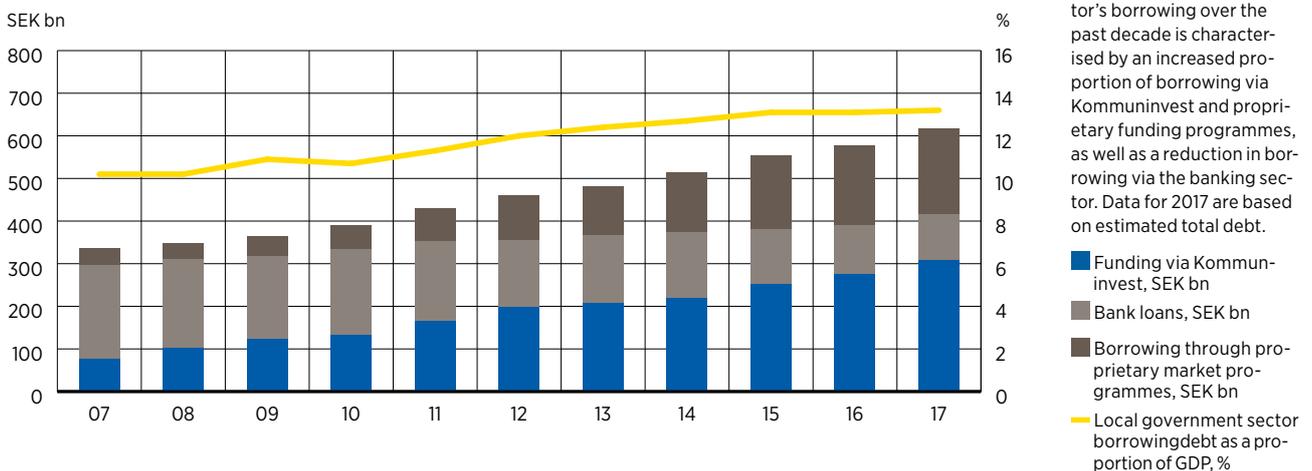
¹) Forecast based on Kommuninvest's ongoing monitoring of debt and investment trends in the Swedish local government sector. At the time of publication of this annual report, neither the complete data for 2017, nor the municipalities' and county councils/regions' own annual reports were available. Values and shares for 2016 have been adjusted in accordance with the municipalities and county councils/regions' own annual reports.

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 debt and forms of financing, 2007-2017



The local government sector's borrowing over the past decade is characterised by an increased proportion of borrowing via Kommuninvest and proprietary funding programmes, as well as a reduction in borrowing via the banking sector. Data for 2017 are based on estimated total debt.

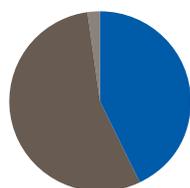
- Funding via Kommuninvest, SEK bn
- Bank loans, SEK bn
- Borrowing through proprietary market programmes, SEK bn
- Local government sector borrowing debt as a proportion of GDP, %

Loans that meet customers' needs

In 2017, Kommuninvest's lending grew to SEK 310.1 (277.0) billion. The increase reflects higher local government investment volumes and funding needs, as well as a strengthened market position. At the end of 2017, Kommuninvest had a total of 914 (825) active borrowers, either members of the Society or legal entities controlled by members.

Loan portfolio per loan product

31 December 2017



- Capital tied up, fixed interest (including lending through Swedish benchmark programme) 43 (46) %
- Capital tied up, Stibor 55 (52) %
- KI interest 0 (0) %
- 3-month Stibor until further notice 2 (2) %

Strengthened market position

Through Kommuninvest and other capital market players, Sweden's municipalities and county councils/regions were able to efficiently meet their borrowing needs in 2017. Kommuninvest offers loan products with capital being tied up for shorter or longer periods, based on fixed or floating interest rates and with or without right of early termination.

At the end of the year, lending amounted to SEK 310.1 (277.0) billion. In nominal terms, lending was at SEK 308.0 (274.0) billion, an increase of 12 (9) percent compared with the previous year. Based on nominal volumes, the bid acceptance rate amounted to 99 (94) percent for 2017.

Of the agreed lending for the year, that is, new loans and renegotiations of existing loans, 83 (76) percent were loans with capital tied up for more than one year and 17 (24) percent with capital tied up for one year or less. Loans with

capital tied up for one to three years accounted for 35 (38) percent of volumes.

In 2017 we welcomed two new members to Kommuninvest: the Municipality of Linköping and the Municipality of Mölndal.

Increased volumes of Green Loans

At the end of 2017, SEK 26.9 (17.8) billion in Green Loans had been granted to 149 (83) projects. Green Loans can be granted for projects and measures that help cut carbon emissions and contribute to sustainable growth or reduce climate change.

KI Finans accessible to 288 members

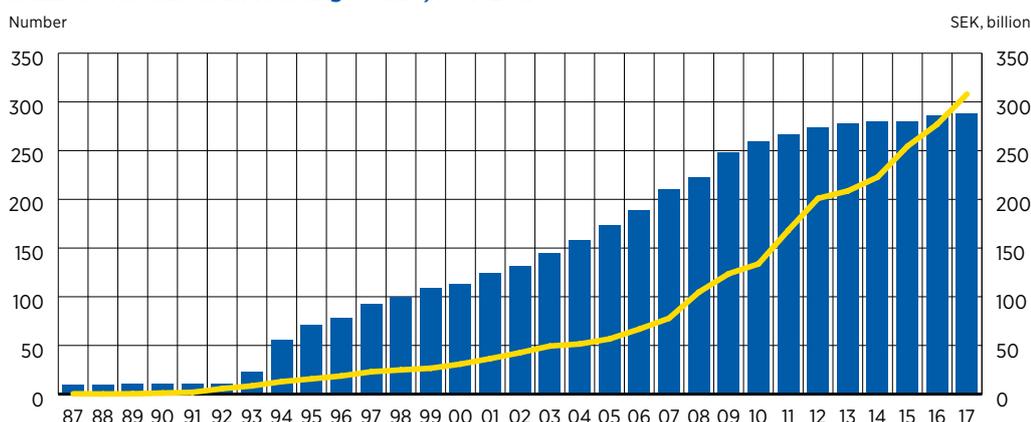
At the end of the year, all 288 (236) members of the Society had access to KI Finans, a specially developed debt management system for the local government sector. Of the Society's members, 190 (164) had signed an agreement for the full-scale version.

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 has also issued a guarantee for the loan.
- Municipal and county council foundations and associations, on the condition that a guarantee is provided and that they are closely affiliated with a member or members of the Kommuninvest Cooperative Society.

Number of members and lending volume, 1987-2017



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

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

Significant international player with the highest credit rating

Kommuninvest finances its lending to municipalities and county councils/regions by borrowing funds on the Swedish and international capital markets. Demand for low-risk issuers remained good during the year and Kommuninvest was able to meet its funding plans on favourable terms. At the end of the year, total borrowing amounted to SEK 339.1 (344.0) billion.

Good demand for Kommuninvest bonds

During 2017, the Company experienced continued good demand for the securities it issues. In Europe, including Sweden, the trend with low market interest rates continued, while the US lies ahead in the interest rate cycle and rates continued to rise gradually over the year there.

The Company's focus on diversified funding sources and a long-term process to further develop the investor base has continued. During 2017, Kommuninvest issued its third Green Bond, opening 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. During the year, a major internal process was conducted to provide clearer guidance on how to match assets and liabilities and how this matching should be reviewed.

Focus on increased benchmark borrowing

At the end of the year, Kommuninvest's borrowing totalled SEK 339.1 (344.0) billion.

Over the year, SEK 75.8 (104.2) billion was borrowed in long-term debt instruments with maturities of more than one year. Borrowing is secured to replace loans that mature or are cancelled, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to the current market view and the size of the lending portfolio.

The Company is working actively to increase its funding in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. During the year, two major benchmark borrowings in USD were carried out. 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 42.7 (46.2) billion was issued in the Swedish benchmark programme with SEK 161.6 (149.1) billion outstanding at the end of the year. In total, the Swedish benchmark programme encompasses eight outstanding bonds.

Borrowing strategy – Diversified sources of funding provide greater stability

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

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

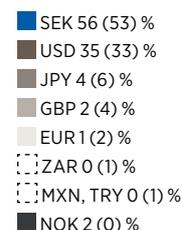
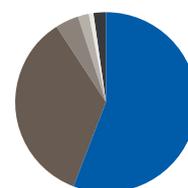
A significant issuer of SSAs

Kommuninvest issues on the international borrowing markets in the category "Sovereigns, Supranationals and Agencies". With large annual borrowing volumes, 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)

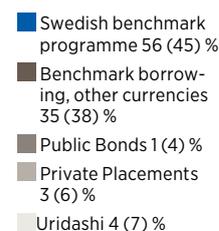
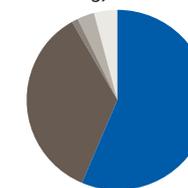
Borrowing during the year, by currency, 2017

(excl. commercial paper borrowing)



New borrowing by programme, 2017

(excl. commercial paper borrowing)



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-end, the reserve amounted to SEK 37.8 (60.1) billion, equivalent to 12 (22) percent of the lending volume.

Investment rules for the liquidity reserve

- At least 90 percent investments shall be made in securities that can be pledged with the Swedish central bank, the Riksbank.
- Investments may have a maximum average maturity of 12 months
- The maximum maturity of the investments is 39 months.

For further information, see Risk and capital management section on pages 32–36 or Kommuninvest's website www.kommuninvest.se.

Reserve with high credit quality and low price risk

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. According to the Company's new instructions, the liquidity reserve shall ensure, with good foresight, that the Company's commitments can be maintained while maintaining lending capacity, see also page 33. The size of the liquidity reserve is adjusted according to, for example, borrowing maturities and external factors. As of 31 December 2017, the liquidity reserve corresponded to 12 (22) percent of the lending volume. At least 90 percent of the reserve shall qualify as collateral with the Riksbank, allowing the Company to obtain liquidity against collateral. As per 31 December 2017, 100 (83) percent of the reserve, excluding cash and equivalents and securities received as collateral, was eligible as collateral at the Riksbank.

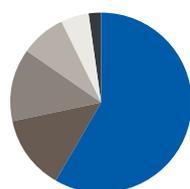
Effective and conservative management in focus

In 2017, management was characterised by reduced liquidity reserves in terms of volume, albeit with higher credit quality than previously. Investments in covered bonds have been disposed of in favour of investments in securities issued by sovereign states or central government-related institutions. See page 32 for more information.

At the end of 2017, 87 (77) percent of the reserve was invested in securities with the highest possible credit rating, including securities issued by sovereign states, government-guaranteed institutions and other public institutions. Of these, 71 (68) percent comprised investments in securities from issuers Sweden and Germany, and 13 percent (13) were issued by supranational European institutions. See Note 2 for further information on Kommuninvest's credit risk exposure.

Liquidity reserve distributed by country

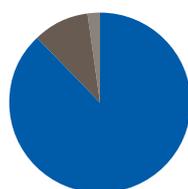
31 December 2017



- Sweden 58 (51) %
- Germany 13 (17) %
- Supranational institutes 13 (13) %
- Finland 8 (9) %
- Denmark 5 (5) %
- Australia 0 (1) %
- Canada 2 (2) %
- UK 0 (2) %
- Netherlands 0 (1) %
- USA 0 (0) %

Liquidity reserve distributed by rating category

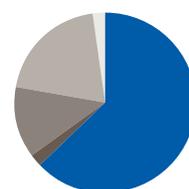
31 December 2017



- AAA 87 (77) %
- AA 10 (21) %
- A 2 (2) %

Liquidity reserve distributed by issuer category

31 December 2017



- National governments or central banks 63 (21) %
- State or local governments and authorities 2 (10) %
- Multilateral development banks 13 (13) %
- Public bodies 0 (1) %
- Covered bonds 0 (26) %
- Credit institutions (subsidised lenders) 20 (28) %
- Credit institutions (bank balances) 2 (2) %

Sustainable managers and employees make for a sustainable organisation

To achieve the overall strategic objectives, work in 2017 continued to focus on cultural issues, competence development, internal communications and work environment issues.

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 Kommuninvest's employees have university degrees and many have continued their training following graduation. The number of employees (permanent and probationary employees) rose by 5 (6) new employees in 2017, to a total of 96 (91) employees. The average number of employees during the year was 91 (85).

Strategic competence supply

One of Kommuninvest's overall objectives is to conduct knowledge-oriented and competitive operations. The strategic competence supply work that commenced in 2016 was developed further in 2017. The Company works actively throughout the competence supply process to manage and develop the competencies of employees and the organisation in line with operational objectives and strategies, and to attract, develop and retain employees in a structured manner.

An equal workplace

At Kommuninvest, equal opportunities are afforded to all, regardless of gender, ethnicity, religion or belief, age, disability, sexual orientation or gender identity. The Company applies zero tolerance with regard to discrimination or harassment in any form and works continuously with guidelines, dialogues and action plans to prevent, investigate and address these issues. The age distribution is spread evenly across the age categories, with 31 (33) percent of employees being aged 40-49 years. Of the total number of employees, 49 (41) percent were women; among senior executives, the proportion of women was 40 (67) percent. See also the summary on page 19.

Preventive healthcare efforts

With the objective of being a sustainable organisation, Kommuninvest proactively assumes overall responsibility for the well-being of all of its employees. Employees at Kommuninvest must be able to combine work and their private lives in a sustainable, long-term manner. As part of Kommuninvest's preventive work with the social and organisational working environment, we are continuing our work with the concept of Sustainable Everyday Life. 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 2017, the internal communications project initiated in the preceding year was continued and completed. This work included various educational efforts, as well as the development of guidelines, systems and structures relating to internal communications. In addition, forums for information, clarity and participation have been introduced to contribute to our core values of unity, clarity, quality and participation.

Employee survey 2017

The year's employee survey gave an ESI (Employee Satisfaction Index) of 68 (69). One of the issues identified as important, but scoring low, was the sense of "us" at the Company. Action plans have been established at the team level throughout the Company to address this and these will be reviewed in 2018. Cultural issues such as cooperation, responsibility and inclusion are on the agenda, and, at all levels in the Company, efforts are in progress to evaluate, maintain open communications and "make it possible to talk about difficult things". This work will be intensified and developed further in 2018.

Code of Conduct provides guidance

Kommuninvest is a value driven organisation. The Code of Conduct provides guidance on how Kommuninvest's employees should act in day-to-day operations in accordance with Kommuninvest's core values: completeness, participation, clarity and quality. The Code of Conduct summarises what the Kommuninvest'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. Kommuninvest's managers are required to engender an ethical climate in line with the code and to encourage adherence to the code.

Johan Olander, Ann Sörman, Nedim Murtic,
Daniel Nykvist, Theresia Ferm and Sofia Frändberg.

Our client managers are certified financial analysts

The Diploma Programme for Financial Analysts at the Stockholm School of Economics is probably the most comprehensive executive training available to Swedish financial market participants. Over the course of one year, programme participants focus on seven thematic areas, grouped into three parts: Portfolio Management & Risk Management; Fixed Income Instruments & Macroeconomic Analysis; and Corporate Valuation and Corporate Finance. The programme is demanding with a high study pace and a total of seven examinations.

Good insight into financial matters, both regarding municipal finance and public sector financial management, is key for Kommuninvest in order to assist members and clients with qualified services. Six client managers have been offered the chance to participate in the training and are entitled to receive the title Authorised Finance Analyst in Sweden.

“We have an altogether different theoretical footing now, with a better understanding of a broad range of subjects that are relevant to our members and clients. This strengthens us and make us more secure in our roles.”

Theresia Ferm and Sofia Frändberg, client managers

Financial position

During 2017, equity increased by SEK 1,082.2 (825.1) million to SEK 8,389.0 (7,306.8) million, attributable to new capital contributions from members of the Society and the profit for the year. The total capital base was SEK 6,899.5 (6,383.9) million, which gave a total capital ratio of 231.4 (117.6) percent.

Total assets decreased to SEK 3 56,971.4 (361,729.2) million over the year, primarily as a result of a reduction in the liquidity reserve and outstanding volume of derivative contracts. This decrease exceeded the increase in lending volume.

Equity

As of 31 December 2017, equity amounted to SEK 8,389.0 (7,306.8) million. The increase in equity is attributable to capital contributions from new and existing members of the Society, as well as profit for the year. See further under Statement of changes in equity on page 50.

Subordinated liabilities

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

Distribution of surplus in 2018

Pending a resolution by the Society's 2018 Annual General Meeting, the Society will distribute the surplus as refunds and interest on capital contributions for the 2017 financial year. In the financial statements, the Company has submitted Group contributions, for this purpose, of SEK 987.5 (458.7) million, and proposed the surplus of SEK 969.8 (445.3) million to be distributed.

If a decision on the payment of a new capital contribution is made, the Company's Board of Directors deems it likely that all members who have not yet reached the agreed maximum level for member contributions will participate with an amount depending on whether the member has reached 50, 75 or 100 percent of the highest

contribution level. Payments of surplus distributions, payments of capital contributions to the Society and of possible capital reinforcement to the Company are expected to take place within three months of a decision. The calculated but yet to be approved capital contribution amounts to SEK 57.9 (34.9) million.

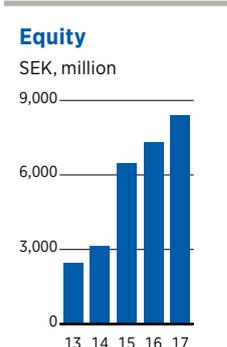
Capital adequacy

The Group is well capitalised to meet the risks in the operations and capital ratios exceed the minimum requirements by a good margin. The core Tier 1 capital amounted to SEK 6,499.5 (5,783.9) million, entailing a core Tier 1 capital ratio of 218.0 (106.6) percent. The total capital base was SEK 6,899.5 (6,383.9) million, which gave a total capital ratio of 231.4 (117.6) percent. For further information, see pages 34–35 and Note 2.

At the end of 2017, the Group's leverage ratio, reported according to CRR, was 1.82 (1.60) percent. The legal leverage requirement has yet to be established. See also page 35 and Note 2.

Rating

The Company has the highest credit rating, Aaa from Moody's and AAA from S&P Global Ratings (formerly Standard & Poor's). In May and September 2017, the rating institutes confirmed the Company's credit rating, with a stable outlook. The rating agencies highlight the joint and several guarantee from the owners of the Society, the mandate the Company has from its owner to act as a local government debt office for the members, the high quality of the loan portfolio and the strategy for building up capital to meet future regulations.



Comments on the accounts

Pages 47, 49 and 51 present comments to 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. This entails borrowing funds on the financial market, based on customers' needs. The operations are to be characterised by limited risks. Presented below is a comprehensive overview of the Company's targets, principles and methods for managing risk. For more detailed information, as well as quantitative data regarding the Company's risk exposure, see Note 2 and the separate Risk and Capital Management Report, which is available at www.kommuninvest.se.

Changes in 2017 regarding risk management and risk exposure

All of the Group's financial operations are conducted within the Company. Certain changes took place in 2017 with regard to the Company's targets, principles and methods for managing risk. The changes mainly involve the Company's goal of ensuring good matching of maturities between assets and liabilities, rather than pursuing longer maturities on liabilities than on assets, as previously. In line with this, the principles for the liquidity reserve have also been amended, with the reserve being allowed to be smaller, while the Company imposes more stringent demands on the quality and marketability of the assets.

In connection with these changes, exposure to both price risk and credit risk has decreased significantly. The liquidity reserve has decreased in volume and includes assets of higher credit quality than in the preceding period. As a consequence of the risk-weighted exposure to credit risk having decreased, the Company's capital requirement for credit risk has also decreased significantly compared with the preceding period.

Risk profile and risk management

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 directive states 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.

Risk strategy

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. Risk appetite is defined as the level of risk and impact on earnings that the Board of Directors is willing to tolerate over the ensuing year to achieve the Company's strategic

objectives. Risk appetite is determined regularly – at least once a year. The level of risk appetite is determined partly by company-specific factors such as financial position and growth targets, as well as anticipated market conditions over the period concerned. The risk strategy is part of the Company's risk framework, which encompasses the Board of Directors' fundamental instruments of operational governance and good internal control.

Risk management and risk control

Kommuninvest i Sverige AB plays a central role in the financing of Swedish municipalities and county councils/regions' investments. To fulfil this assignment, the Company borrows money on the financial market and lends money to customers. Unlike many other credit institutes, the Company conducts no deposit or active trading operations. The business model means that the Company is exposed to risks associated with the financial market.

In accordance with the ownership directives, the Company's risk management is designed for operations to be conducted with a low level of risk taking. See page 36 for an overview of the types of risk Kommuninvest regularly manages and measures. To limit the risks associated with the Company's operating model and to ensure that operations are kept within the risk appetites specified by the Board of Directors, limits or other measures are applied. Limits and guidelines for risk management are set out in the Board of Directors' Credit Policy and Finance Policy and in the Board of Directors' Policy for Operational Risks.

Credit Policy

In the Credit Policy, the Board of Directors outlines the basic view of credit, how it should be organised and how credit decisions should be documented.

The current ownership directive formulates the basic view of the Company's provision of credit and its analysis model. This should be based on the basic principle that exposure to a Swedish local government authority be ascribed the same risk weight as an exposure to the Swedish central government and that Swedish local government authorities have

traditionally maintained responsible ownership. This shall be afforded considerable significance in the Company's setting of limits for a municipal group and, combined with the local government authorities' own good creditworthiness, is transferred to companies via guarantee undertakings for proprietary companies' loans.

The credit risk associated with lending to a municipally owned company is considered to be very low. According to the Articles of Association, credit can be granted to municipal companies, foundations or municipal associations, provided that the member/s exercise a controlling influence over the borrower and that the member/s sign guarantees for the undertaking. However, for credit to be provided to an alliance of local government authorities, all members of that alliance must be members of the Kommuninvest Cooperative Society.

Finance Policy

The Finance Policy states the Board of Directors' basic view on the Company's funding and liquidity strategy, investments and use of derivatives, as well as the management and control of risks attributable to these operations.

The funding strategy is a long-term plan for the Company's current and future financing. The guidelines of the strategy require fulfilling a sufficient degree of diversification among funding sources, taking into account the number and types of counterparties, types of financial instruments, maturities, currencies and geographic markets.

The Company shall identify the most important factors affecting capacity to raise funding and monitor these factors closely to ensure that the assessed funding capacity remains valid under various conceivable circumstances. In view of the overall endeavour to maintain a large proportion of the total funding volume in SEK, the Company shall, to minimise the risk of exclusion from important markets, continuously issue certificates and bonds in various markets.

The purpose of the liquidity operations is to enable the Company to meet its known and forecast liquidity needs. The liquidity strategy shall ensure that all of the Company's current liquidity risks are defined, that current liquidity needs are known and that future needs are forecast. The Company's liquidity preparedness shall serve to create favourable conditions to meet needs in terms of extending current lending, forecast new lending, forecast loan maturities and liquidity requirements based on hedging of derivatives and repurchase agreements.

The Company shall maintain good liquidity preparedness under normal market conditions, as well as in periods of stressed liquidity. The Board of Directors shall be informed immediately of any indications of changes in the conditions for maintaining normal liquidity preparedness. The Company's liquidity management organisation shall be designed to ensure that all of the Company's payment obligations can be met in time without incurring significant additional costs and that surplus-liquidity enables continued refinancing of existing lending.

The Company shall ensure good matching between assets (loans and investments) and liabilities (funding and shareholders' equity). Any excess or deficit of liquidity arising in the day-to-day operations is managed intraday via the Riksbank's payment system RIX, of which the Company is a full member.

Independent control

Within the Company there are three independent control functions; the Risk and Control department, compliance and the internal audit. Risk and Control and compliance form the Company's second line of defence, while the internal audit is the Company's third line of defence. The three different lines of defence are visualised in the organisational chart presented in the Risk organisation section.

Risk and Control

The Risk and Control department exercises group-wide risk control and monitors the Group's risks, principally credit risks, market risks, liquidity risks and operational risks. The function is separate from the business operations and directly subordinate to the CEO. The head of the Risk and Control department, the CRO, is appointed by the CEO who reports the appointment to the Board of Directors. The Company's Board of Directors receives regular updates on risk control issues.

Compliance

The Company's compliance function is a control and support function independent of the business operations and directly subordinate to the CEO. The head of the compliance function is appointed by the CEO and reports to the CEO and to the Board of Directors on an ongoing basis. As a result of analyses of the shortcomings in regulatory compliance, the CEO establishes an annual plan that is reported to the Company's Board of Directors.

The compliance function shall safeguard good regulatory adherence in the Company and work actively to promote this. It shall actively support business operations and the executive management to ensure that operations are conducted in accordance with external and internal regulations and are conducted in such a way that confidence in the Company is reinforced among customers, members and other stakeholders in the financial market. This encompasses training and contacts with supervisory authorities.

The compliance function is also responsible for safeguarding and assessing the updating of overarching internal regulations and ensuring that they are adapted to the Company's operations. The compliance function shall annually assess these internal regulations and submit proposals for improvement to those responsible for the documents concerned.

Internal audit

The Company's internal audit, which is outsourced to an external party, is an independent review function that reports directly to the Board of Directors of the Company. The internal audit is responsible for evaluating risk management, con-

control and governance processes within the Company and for ensuring that operations are conducted in accordance with the intentions of the Company's Board of Directors and the CEO. The internal audit reports to the Company's Board of Directors, the CEO and the Group's external auditors on an ongoing basis. Each year, the Company's Board of Directors establishes a plan for the work of the internal audit. The CEO reports to the Company's Board of Directors on measures implemented as a consequence of the internal audit unit's reports.

Risk organisation

To provide cost-efficient financing without exceeding the Company's risk appetite, risk management in operations is to be characterised by preventive measures that serve to prevent and/or limit both risks and their damaging effects.

The Company's CRO bears the overall responsibility for the Company's risk framework. Each department manager is responsible for the management and control of risks within his/her area of operations. Forward-looking and historical analyses are used to ensure that the Company identifies, assesses and measures risks correctly.

The Risk and Control department, the Company's function for risk control, is responsible for continuously checking and implementing ongoing follow-up and analysis of financial risks and operational risks, as well as limit controls, and

reports daily to the President and monthly to the Board of Directors.

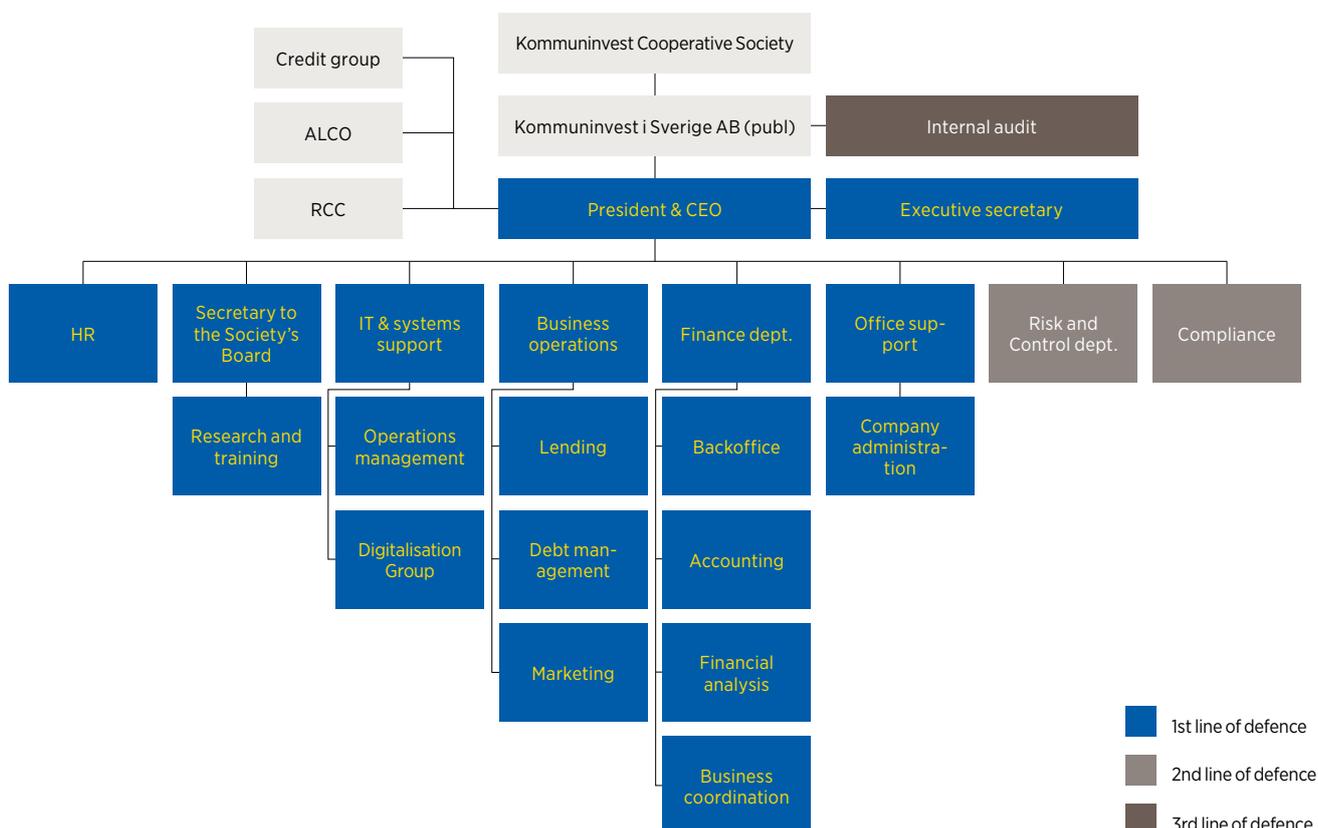
Risk and Control is headed by the CRO, who reports to the CEO and is a member of the Executive Management Team. The department consists of ten employees, including a deputy CRO. Of the ten employees, four work with prospective analyses regarding credit and market risks, etc., three with reporting and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

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

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

The Company's RCC (Risk Compliance Control) committee aims to document the work of the Company's control

Organisational chart with the operations' three lines of defence



functions, as well as preparing reports to the Executive Management Team and the Board of Directors.

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 foremost priority with capital planning is ensuring that the Company complies with regulatory capital requirements and the owners' capital target, which corresponds to a leverage ratio of 1.5 percent.

Capital plan and internal capital assessment

Within the Group, a capital plan is developed at least once a year. The plan estimates how the capital requirement is expected to develop over the ensuing five years. The plan is based on forecasts for lending and other balance sheet items, as well as future regulations. The ownership directive of the Society, which establishes the overall risk appetite for the Company's operations and which also specifies how the capital is to be built up within the Company, provides support in the capital planning process. The capital plan represents an important building block in the establishment of the internal capital and liquidity assessment (ICLA) for the Company and the Group, consisting of the Society, the Company and Kommuninvest Fastighets AB, which owns the property in which the credit market company conducts its operations.

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

The Company's capital assessment shows that the Company meets all known capital requirements, including the owners' capital targets, see Note 2.

Leverage ratio – Kommuninvest's plan and preparations

Effective from 1 January 2019, 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 will most likely be included. The proposal regarding which requirements an institution must meet to qualify as a PDCI was revised in December 2017 by both the European Council and the European Parliament. The revised proposal clarifies that even indirect exposures (e.g. lending to municipal companies) are subject to the special leverage regulation for PDCIs. In addition, it is now proposed that an institution need not be established under public law to be considered a PDCI. In Kommuninvest's assessment, the Company meets all of the stated criteria to be defined as a public development credit institution, PDCI.

If the proposals are realised, lending will be deducted from the exposure measure used in calculating the Company's and the Group's leverage ratio. Calculated in this way, Kommuninvest meets the leverage ratio of 3 percent being discussed by a good margin. The negotiation process is progressing within the EU and Kommuninvest is participating actively in the development.

Kommuninvest's capitalisation – responsibility of the owners

The Society bears the principal responsibility for the Group's capitalisation. The Society's plan is based on the internal capital target that the capitalisation of the Group and the Company is to be raised to a level corresponding to a leverage ratio of 1.5 percent, taking all of the Group's exposures into account. If further capital needs to be accumulated to meet the capital requirement, as a result of future regulatory changes, for example, the Society plans primarily to ask members for additional member contributions. In accordance with its Articles of Association, the Society applies a minimum (compulsory) and maximum level of capital contributed per resident by the Society's members. In 2017, the Annual General Meeting of the Society resolved that, if the need arises, the highest level of capital contributions may be doubled. However, this requires a special decision at an ordinary or extraordinary Annual General Meeting of the Society. The Society's Articles of Association also permit other options, such as subordinated loans or the issuance of Tier 1 capital instruments.

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 is only provided to municipal companies, foundations and alliances of local government authorities if the local government authorities concerned have guaranteed the undertaking. 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 primarily in securities issued by sovereign states or state-guaranteed issuers, where the issuer has a credit rating of at least A from S&P. The maximum remaining maturity on securities in the liquidity reserve is 39 months. 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 values, a derivative contract of this kind can entail either a receivable from, or a liability to, the counterparty.

In order for the Company to enter into an uncleared derivative, the counterparty must, at the time of the transaction, have a credit rating, as an issuer, of at least bbb+ or be guaranteed by someone with this credit rating. If the counterparty has a credit rating lower than A, particular attention is paid to the derivative's marketability, complexity and maturity. For the Company to enter into a cleared derivative, the counterparty must, at the time of the transaction, have a credit rating, as an issuer of at least BBB-

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, in most instances, 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 Company's assets and liabilities will decrease due to changes in risk factors in the financial market.

Kommuninvest's operations and business model give rise to market risks in the form of interest rate risk, currency risk, credit market risk, other price risks and liquidation risk. Market risk is measured and monitored continuously. Most interest rate and currency risks and price risks are exchanged for counterparty risks through derivative contracts. Credit market risk is limited in part through good matching of maturities between liabilities and assets and, in part, through both assets and liabilities being of a very high credit quality with historically small fluctuations in underlying prices. The Company is exposed to changes in credit swaps on assets and/or liabilities, as well as changes in basis swaps. Through good governance and control, this risk is kept to a controlled and acceptable level. The exposure to interest rate and currency risk is very limited.

Liquidity risk

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

The structural liquidity situation shall be highly stable with a favourable matching of maturities between liabilities and 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. In order to ensure good liquidity preparedness, including during periods of stress, the Company has a highly liquid liquidity reserve. Overall, this limits the liquidity risks in the Company.

Operational risks

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

Risks in the operations are identified continuously over the year. The method includes planning measures to manage the risks that are identified. Procedures and systems support are in place to enable reporting and follow-up of undesired events. Good governance and control mean that the operational risk is kept at a controlled and acceptable level.

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

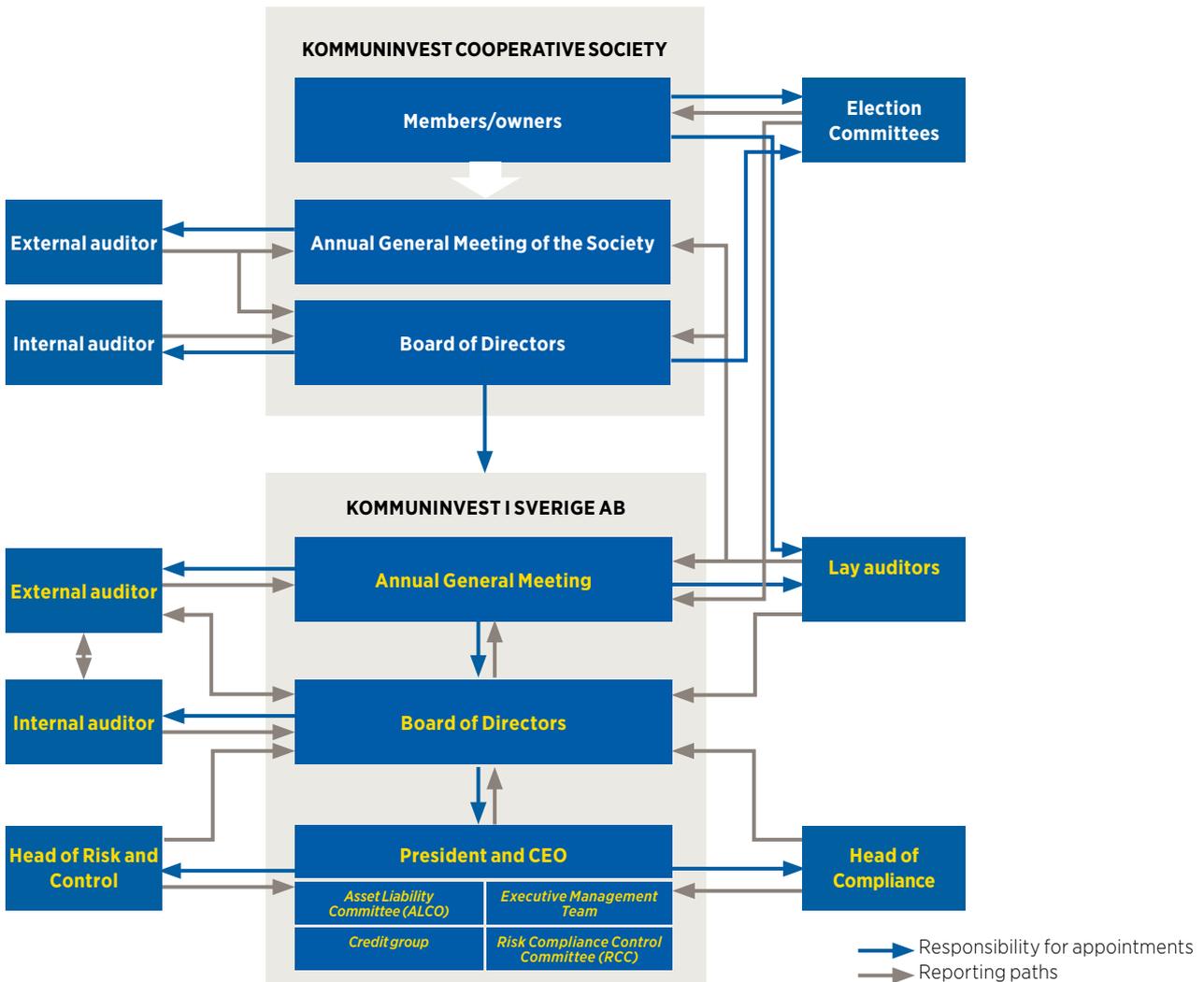
The Kommuninvest Cooperative Society ("the Society", corporate identity number 716453-2074) holds 100 percent of the shares in Kommuninvest i Sverige AB ("the Company", corporate identity number 556281-4409).

The Company holds 100 percent of the shares in Kommuninvest Fastighets AB (corporate identity number 556464-5629). On 31 December 2017, participation capital

in the Society amounted to SEK 6,770.6 (6,307.5) million. Each new member of the Kommuninvest Cooperative Society contributes participation capital to the Cooperative Society based on number of residents. At 31 December 2017, the Society had 288 (286) 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 (AGM), each member has one vote.

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

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 AGM. Ahead of the 2017 AGM, member consultations were held in 18 (17) locations around Sweden, with 348 (346) participating politicians and officials.

Owner directives

The Board of the Society develops owner directives for the Company and these are set annually at the AGM.

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

Targets for operations

The 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.

Remuneration principles

The Board 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 Board.

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

More information about Kommuninvest's corporate governance

The following information can be accessed via Kommuninvest's website www.kommuninvest.se:

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

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 AGM of the Society is the Group's highest decision-making body. The 2017 AGM was held on 20 April 2017 in Stockholm. At the AGM, 155 (174) municipalities and county councils were represented, corresponding to 54 (62) percent of the members. At the AGM, each member has one vote. The resolutions adopted by the Meeting included:

- Amendment to the Articles of Association due to changes in the legislation on economic associations, partly involving new provisions on capital injections to the Society, as well as the highest level of capital contributions for individual members.
- Ownership directive to Kommuninvest i Sverige AB.
- A revised plan for Kommuninvest's build-up of capital.

The AGM of the Company is held in direct connection with the AGM 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 AGM based on a proposal submitted by the Board of the Society. The Election Committee of the Society's companies is appointed among the members of the Board of the Society. The Board of the Society has resolved that its Working Committee shall act as the Election Committee for the Society's companies.

The work of the Board of Directors

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

Election Committee of the companies owned by the Society 2017/2018

Göran Färm (S), Municipality of Norrköping, Chairman

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

Ewa-May Karlsson (C), Västerbotten County Council

Margreth Johnsson (S), Municipality of Trollhättan

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

This means that issues concerning new members, withdrawal of members, possible exclusion from membership, guarantee issues, etc. are dealt with by the Board of the Society. The Board 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 the Society as well as that of the Company. However, the Board of the Society, which represents the owners, has no direct right of determination over the Board of the Company. The Society's control of the Board of the Company takes place only by means of resolutions by the AGM or by owner directives adopted by the AGM.

Working Committee of the Board of the Society

From among the members of the Board 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, the Working Committee is responsible for matters including the preparation of the work of the Board 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 AGM. 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 meeting 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 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 AGM on 20 April 2017, the Board of the Kommuninvest Cooperative Society has consisted of Göran Färm (Chairman), Linda Frohm (Deputy Chairman), Therese Borg, Lilly Bäcklund, Britta Flinkfeldt, Margreth Johnsson, Ewa-May Karlsson, Niklas Karlsson, Fredrik Larsson, Örjan Mossberg, Niclas Nilsson, Jonas Ransgård, Carina Sándor, Roland Åkesson and Lotta Öhlund. The members are presented on page 40.

Analysis and Finance Committee

The Board 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 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 2017 AGM decided on changes to fees for the Board of the Society, see Note 7, where the total fees are shown. Total fees paid to the members of the Board amounted to SEK 1,533,800 (1,435,300) for 2017.

Work of the Board of Directors in 2017

In 2017, 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
- Amended Articles of Association
- Planned build-up of capital
- Owner directives
- Follow up of members and sector debt
- Matters associated with new regulations
- Board evaluation
- Internal audit reports
- Internal capital and liquidity assessment, ICLA
- Establishment of award
- 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



BRITTA FLINKFELDT (S)
Municipality of Arjeplog



MARGRETH JOHNSSON (S)
City of Trollhättan



THERESE BORG (SD)
Municipality of Klippan



EWA-MAY KARLSSON (C)
Västerbotten County Council



NIKLAS KARLSSON (S)
City 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

Camilla Egberth (S)
Municipality of Motala

Hans Lindberg (S)
Municipality of Umeå

Pierre Sjöström (S)
Municipality of Staffanstorps

Catharina Winberg (M)
Municipality of Växjö

Anna-Britta Åkerlind (C)
Municipality of Örnsköldsvik

Ulf Olsson (S)
City of Borås

Roger Persson (MP)
Municipality of Gävle

Christina Johansson (M)
Municipality of Hällefors

Bo Rudolfsson (KD)
Municipality of Laxå

Ann-Marie Johansson (S)
Region Jämtland Härjedalen

Daniel Edström (SD)
Municipality of Örebro

Peter Kärnström, (S)
Municipality of Sandviken

Mohamad Hassan (L)
Municipality of Uppsala

Gertowe Thörnros (V)
Municipality of Degerfors

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 at least once a year. Among Anders Tagde's other auditing assignments, the Nordic Investment Bank, ICA Banken 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 Löfgren (M), Municipality of Järfälla (newly elected).

Board of Directors' Report – Parent Society

General information about the Company

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 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 2017, the Society had 288 (286) members, of whom 277 (275) were municipalities and 11 (11) were county councils/regions. Consequently, 96 (95) percent of Sweden's municipalities and 55 (55) percent of Sweden's county councils/regions were members (partners) in the Society. During the year, two (six) new members joined: The City of Mölndal and the Municipality of Linköping. 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.

Participation 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 2017, participation capital in the Society totalled SEK 6,770.6 (6,307.5) million. The increase is an effect of capital contributions from members as a result of upcoming regulatory requirements regarding leverage ratio, see page 35. In addition, participation 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 288 (286) members in the Kommuninvest Cooperative Society. No memberships were cancelled during 2017 and no repayment of participation capital has been made as a consequence of membership terminations to be effectuated 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 2017, the Society reported profit before tax of SEK 974.9 (445.7) million. This profit is primarily attributable to a Group contribution from the Company of SEK 987.5 (458.7) million. Profit after tax amounted to SEK 974.8 (445.4) million.

Personnel

The Society had no employees in 2017 and consequently no salaries were paid.

Appropriation of surplus

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

The profit of SEK 975,083,800 at the disposal of the Annual General Meeting of the Society to be appropriated as follows:

Interest of 1.5 percent on contributions be paid to members	SEK 95,847,380
Refunds be distributed to members in proportion to each member's share of the total business volume in 2017	SEK 873,919,620
To be carried forward	SEK 5,316,800
Total appropriated	SEK 975,083,800

See also Note 10 on page 81.

That members entitled to interest on contributions and refunds are those municipalities and county councils that had become members by 31 December 2017 at the latest.

That interest on contributions and refunds are to be disbursed at the latest one month after the decision by the 2018 Annual General Meeting.

That volume of business refers to the average borrowing debt to Kommuninvest i Sverige AB of each member during 2017. 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 231.4 (117.6) percent, compared with the requirement, including buffer requirements, of 11.5 (11.7) percent. The capital base amounts to SEK 6,899.5 (6,383.9) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 238.5 (434.0) million. A specification of items can be found in the Note 2 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 refunds 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 57.9 (34.9) 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.

Financial statements

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Income statement – Group

1 January – 31 December

SEK, million	Note	2017	2016
Interest revenues	1	452.3	654.0
Interest expenses	1	426.4	107.9
NET INTEREST INCOME	3	878.7	761.9
Commission expenses	4	-7.3	-5.2
Net result of financial transactions	5	512.0	-131.9
Other operating income	6	6.2	7.2
TOTAL OPERATING INCOME		1,389.6	632.0
General administration expenses	7	-273.0	-233.1
Depreciation of intangible assets	18	-4.8	-4.2
Depreciation of tangible assets	19	-4.4	-3.5
Other operating expenses	8	-3.5	-5.0
TOTAL OPERATING EXPENSES		-285.7	-245.8
OPERATING PROFIT		1,103.9	386.2
Tax	9	-28.0	-0.4
NET PROFIT		1,075.9	385.8

Statement of comprehensive income – Group

1 January – 31 December

SEK, million	2017	2016
NET PROFIT	1,075.9	385.8
OTHER COMPREHENSIVE INCOME		
Items that may subsequently be reclassified to the income statement		
Available-for-sale financial assets	24.1	56.6
Available-for-sale financial assets, transferred to the income statement	-35.6	-
OTHER COMPREHENSIVE INCOME	-11.5	56.6
TOTAL COMPREHENSIVE INCOME	1,064.4	442.4

Comments on the income statement – Group

Net interest income

Net interest income rose to SEK 878.7 (761.9) million. The increase is mainly due to increased lending and favourable interest rates in short-term liquidity management.

Kommuninvest grants lending at negative interest rates, which is recognised as an interest expense, amounting over the period to SEK 161.8 (151.0) million. For more information on how interest revenue and interest expenses are recognised, see Note 1.

Net result of financial transactions

The net result of financial transactions amounted to SEK 512.0 (negative 131.9) million. The result was affected by unrealised changes in market value amounting to SEK 426.0 (negative 195.5) million, but also by the buy-back of own bonds and the sales of financial instruments which contributed SEK 89.8 (63.4) million to the figure.

The result of the unrealised changes in market value is due to the funding cost for financing directly in SEK during the period having become more advantageous than financing in foreign currencies. Since liabilities only include foreign currency funding reported at fair value, this has entailed a decrease in the margin between Kommuninvest's funding and lending costs on the instruments that are marked to market, leading to adverse changes in market value. See also Note 5. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. For further details, see Note 30.

In connection with sales of financial instruments, Kommuninvest transferred SEK 35.6 (–) million in gains from other comprehensive income to profit/loss for the period.

Operating expenses

Operating expenses amounted to SEK 285.7 (245.8) million, including the resolution fee of SEK 66.3 (31.4) million.

The resolution fee represents a risk-adjusted share of the balance sheet total 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. The Company's resolution fee for 2017 has been set by the Swedish National Debt Office at SEK 66.3 million. The resolution fee replaced the former stability fee in 2016 and, according to transitional measures, the resolution fee was reduced by half in 2016, being set at SEK 31.4 million. The resolution fee represented 23 percent of Kommuninvest's operating expenses, compared with 13 percent for the resolution fee in 2016.

Excluding the resolution fee, operating expenses amounted to SEK 219.4 (214.4) million, of which personnel expenses accounted for SEK 122.3 (121.2) million and other expenses for SEK 97.1 (93.2) million. The increase in personnel expenses is mainly attributable to an increase in the number of employees. The largest changes under other expenses are an increase in IT expenses of SEK 3.8 million, mainly due to increased expenses for licenses and maintenance, as well as a decrease in Finansinspektionens supervision fee, which amounted to SEK 0.0 (2.0) million for 2017.

Credit losses totalled SEK – (–) million.

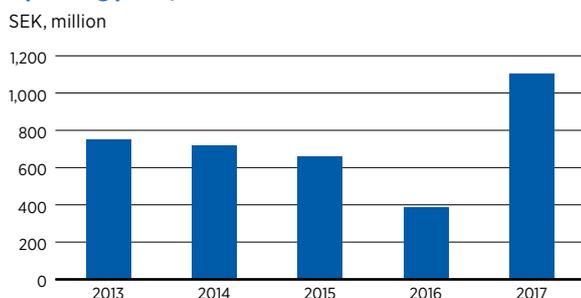
Operating profit

Kommuninvest's operating profit, that is, its profit before tax, amounted to SEK 1,103.9 (386.2) million. The operating profit includes unrealised changes in market value of SEK 426.0 (negative 195.5) million. Operating profit excluding the effect of unrealised market value changes was SEK 677.9 (581.7) million. Profit after tax amounted to SEK 1,075.9 (385.8) million.

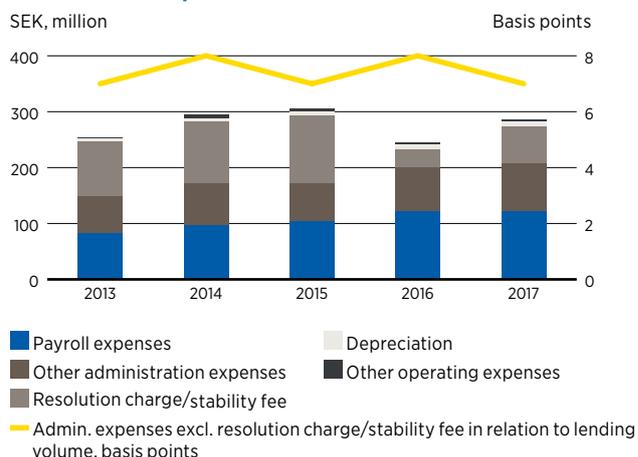
Tax

The tax expense for the year, reported in the income statement, amounted to SEK 28.0 (0.4) million, see Note 9.

Operating profit/loss before tax



Distribution of expenses



Balance sheet – Group

As per 31 December

SEK, million	Note	2017	2016
ASSETS			
Sovereign bonds eligible as collateral	2, 11	24,635.8	16,964.4
Lending to credit institutions	2	698.5	1,150.8
Lending	2, 13	310,147.3	276,982.1
Bonds and other interest-bearing securities	2, 14	12,500.0	42,003.9
Shares and participations	15	-	3.3
Derivatives	2, 17, 31	8,044.6	24,449.8
Intangible assets	18	10.9	13.4
Tangible assets	19	7.4	7.8
Tangible assets, lands and buildings	19	31.1	32.2
Current tax assets		80.7	75.7
Other assets	21	802.4	2.3
Deferred tax assets	9	0.6	28.5
Prepaid expenses and accrued revenues		12.1	15.0
TOTAL ASSETS		356,971.4	361,729.2
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities and provisions			
Liabilities to credit institutions	2	1,318.4	2,396.1
Securities issued	2	337,755.8	341,579.4
Derivatives	2, 17, 31	7,793.9	9,390.5
Other liabilities	22	671.0	20.7
Accrued expenses and prepaid revenues		43.2	31.6
Provisions for pensions and similar obligations	23	-	4.1
Subordinated liabilities	24	1,000.1	1,000.0
Total liabilities and provisions		348,582.4	354,422.4
Equity			
Participation capital		6,770.6	6,307.5
Reserves		-0.7	9.3
Profit or loss brought forward		543.2	604.2
Profit for the year		1,075.9	385.8
Total equity	26	8,389.0	7,306.8
TOTAL LIABILITIES, PROVISIONS AND EQUITY		356,971.4	361,729.2

Comments on the balance sheet – Group

Assets

Total assets in Kommuninvest decreased to SEK 356,971.4 (361,729.2) million, attributable mainly to a reduced liquidity reserve and outstanding volumes of derivative contracts. Lending increased over the period to SEK 310,147.3 (276,982.1) million.

Changed liquidity management principles have resulted in the liquidity reserve, comprising the balance sheet item, Sovereign bonds eligible as collateral, Lending to credit institutions, and Bonds and other interest-bearing securities, decreasing to SEK 37,834.3 (60,119.1) million. Apart from the liquidity reserve having decreased in size, its composition also changed during the period. Sovereign bonds eligible as collateral increased to SEK 24,635.8 (16,964.4) million, while Bonds and other interest-bearing securities decreased to SEK 12,500.0 (42,003.9) million. For more information, see Notes 11 and 14.

Derivative assets (derivatives with positive market value) also decreased sharply to SEK 8,044.6 (24,449.8) million. The foremost reason for the changes in the scope of the derivative assets are fluctuations in exchange rates affecting the value of derivatives hedging currency risk from funding in foreign currency. The changes over the year were also due to a large number of derivatives with high opening values having fallen due when the corresponding funding has matured.

Other assets amounted to SEK 802.4 (2.3) million. The increase in other assets is primarily due to collateral of SEK 793.0 (-) million being pledged. In 2016, Kommuninvest began pledging collateral for derivatives cleared by central clearing counterparties, with the net collateral for each counterparty and currency being recognised in the balance sheet, see further under Note 31. In 2017, Kommuninvest also began to pledge cash collateral for derivatives not cleared by a central clearing counterparty and for which there no right of settlement applies and which are included in full in the balance sheet. For more information on other assets, see Note 21.

Liabilities

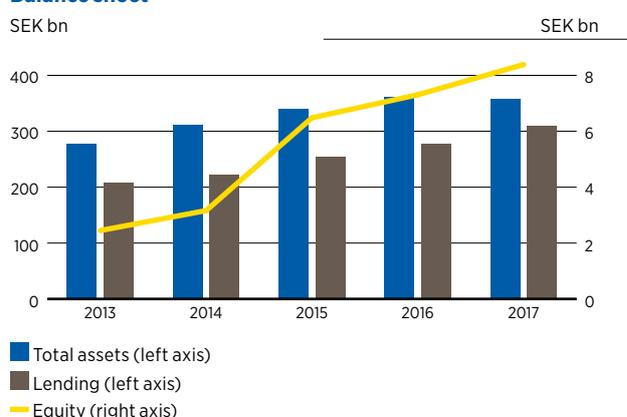
Kommuninvest's liabilities amounted to SEK 348,582.4 (354,422.4) million and funding decreased to SEK 339,074.2 (343,975.5) million. Derivative liabilities (derivatives with negative market value) amounted to SEK 7,793.9 (9,390.5) million.

Other liabilities amounted to SEK 671.0 (20.7) million. Other liabilities include collateral received of SEK 654.8 (-) million. In 2016, Kommuninvest began receiving collateral for derivatives cleared by central clearing counterparties, with the net collateral for each counterparty and currency being recognised in the balance sheet, see further under Note 31. In 2017, Kommuninvest also began to receive cash collateral for derivatives not cleared by central clearing counterparties and for which there no right of settlement applies and which are therefore included in full in the balance sheet. Further information on other liabilities can be found in Note 22.

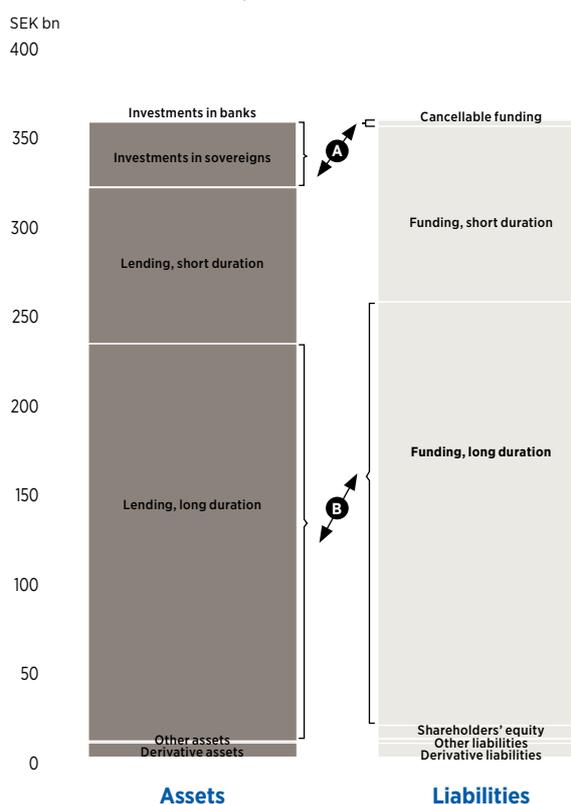
Equity

For information on equity, see Comments on the statement of changes in equity on page 50.

Balance sheet



Balance sheet structure, 31 December 2017



- A. Kommuninvest's liquidity reserve contains a large proportion of assets that can quickly be converted into cash. At the end of the year, the liquidity reserve exceeded cancellable funding by SEK 34.4 billion.
- B. At the end of 2017, Kommuninvest's non-current funding exceeded non-current lending by SEK 14.5 billion.

Statement of changes in equity – Group

SEK, million	Participation capital	Reserves ¹	Profit or loss brought forward	Total equity
Equity brought forward 1 January 2016	5,424.1	-48.9	1,106.5	6,481.7
Total comprehensive income				
Profit for the year			385.8	385.8
Development expenditure reserve for the year		1.6	-1.6	0.0
Comprehensive income for the year		56.6		56.6
Total comprehensive income	-	58.2	384.2	442.4
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-500.7	-500.7
<i>New subscribed capital during the period</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 ²	-4.2			-4.2
Equity carried forward 31 December 2016	6,307.5	9.3	990.0	7,306.8
Equity brought forward 1 January 2017	6,307.5	9.3	990.0	7,306.8
Total comprehensive income				
Profit for the year			1,075.9	1,075.9
Development expenditure reserve for the year		1.5	-1.5	0.0
Comprehensive income for the year		-11.5		-11.5
Total comprehensive income	-	-10.0	1,074.4	1,064.4
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-445.3	-445.3
<i>New subscribed capital during the period</i>				
Participation capital from new members of the Society	40.7			40.7
Contributions from existing members	422.4			422.4
Disbursement of excess contribution capital ²				-
Equity carried forward 31 December 2017	6,770.6	-0.7	1,619.1	8,389.0

1) Reserves consist of the Fair value reserve, including financial assets available for sale and the Development expenditure reserve. 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 depreciation reversed from the fund to unrestricted equity.

	31 December 2017	31 December 2016
Available-for-sale financial assets	-3.8	7.7
Development expenditure reserve	3.1	1.6
	-0.7	9.3

2) Excess contribution capital (Swedish: "Översats") refer to that part of capital contributions that, for certain members, exceeds the highest level stipulated in the statutes. For further information, see Note 25.

A more detailed statement of changes in equity for the Group is provided in Note 26.

Comments on Statement of changes in equity – Group

Equity

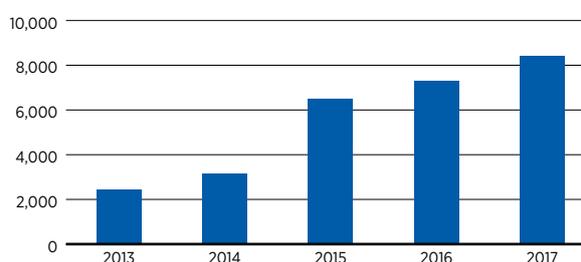
At the end of 2017, equity in the Group amounted to SEK 8,389.0 (7,306.8) million. In addition to net profit of SEK 1,075.9 (385.8) million and surplus distribution of SEK 445.3 (500.7) million, the increase is mainly attributable to capital contributions from existing members of the Society of SEK 422.4 (836.9) million and of SEK 40.7 (50.7) million from new members.

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 2017 Annual General Meeting of the Society approved the payment of SEK 445.3 (500.7) million in surplus distribution. Payment was effectuated in May 2017. 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 2017 Annual General Meeting of the Society it was resolved that SEK 34.9 (90.7) million in new capital contributions to the Society should be paid in. All members chose to participate.

Equity

SEK, million



Cash flow statement – Group

1 January – 31 December

SEK, million	2017	2016
Operational activities		
Operating profit	1,103.9	386.2
Adjustment for items not included in cash flow	-416.6	202.7
Income tax paid	-8.0	-3.4
	679.3	585.5
Change in liquidity reserve ¹	19,661.8	3,496.2
Change in lending	-33,877.0	-22,558.3
Change in other assets	-791.0	-1.8
Change in other liabilities	657.8	-107.7
Cash flow from operational activities	-13,669.1	-18,586.1
Investment activities		
Acquisitions of intangible assets	-2.1	-1.9
Acquisition of tangible assets	-3.1	-6.3
Divestments of tangible assets	0.2	0.3
Divestment of shares in associated companies	-	1.8
Cash flow from investment activities	-5.0	-6.1
Financing activities		
Issue of interest-bearing securities	147,432.9	129,345.1
Redemption and repurchases of interest-bearing securities ¹	-134,228.9	-110,702.1
Distribution of surplus as refunds and interest	-445.3	-500.7
Participation capital from new members of the Society	40.7	50.7
Contributions from existing members	422.4	836.9
Disbursement of excess contribution capital	-	-4.2
Cash flow from financing activities	13,221.8	19,025.7
Cash flow for the year	-452.3	433.5
Cash and equivalents at start of the year	1,150.8	717.3
Cash and equivalents at end of the year	698.5	1,150.8
Cash and equivalents consists in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
Adjustment for items not included in cash flow		
Depreciation	9.2	7.7
Exchange rate differences from change in financial assets	0.3	0.9
Profit from divestments of tangible assets	-0.1	-0.1
Profit from divestments of shares in associated companies	-	-1.3
Unrealised changes in market value	-426.0	195.5
Total	-416.6	202.7
Interest paid and received, included in the cash flow		
Interest received ²	371.0	787.1
Interest paid ³	277.3	-42.3

1) The change in own holdings is included in Redemption and repurchases of interest-bearing securities. In the published Annual Report for 2016, this change was included in Change in liquidity reserve. The comparative figures have been changed compared with Annual Report for 2016. An adjustment has been made amounting to SEK 1,445.2 million.

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

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

Reconciliation of liabilities arising from financing activities

2017	Opening balance	Cash flows	Currency exchange fluctuations	Fair value change	Group contributions	Closing balance
Funding, incl. derivatives	328,916.2	13,204.0	-1,762.7	-1,534.0	-	338,823.5
Total	328,916.2	13,204.0	-1,762.7	-1,534.0	-	338,823.5

Income statement – Parent Society

1 January – 31 December

SEK, million	Note	2017	2016
Operating expenses	7	-16.6	-12.9
Operating profit		-16.6	-12.9
Financial revenues and expenses			
Revenues from participations in Group companies, Group contributions		987.5	458.7
Revaluation of financial fixed asset		6.5	-
Interest revenues	3	-	0.0
Interest expenses	3	-0.4	-0.1
Interest income, debenture loan	3	9.7	12.3
Interest expenses, debenture loan	3	-11.8	-12.3
Total financial income and expenses		991.5	458.6
Profit after financial items		974.9	445.7
Profit before tax		974.9	445.7
Tax	9	-0.1	-0.3
NET PROFIT		974.8	445.4

Statement of comprehensive income – Parent Society

1 January – 31 December

SEK, million	2017	2016
Net profit	974.8	445.4
Other comprehensive income	-	-
Comprehensive income for the year	974.8	445.4

Balance sheet – Parent Society

As per 31 December

SEK, million	Note	2017	2016
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Debenture loan to subsidiary		-	1,000.0
Shares in subsidiaries	16	7,100.0	6,093.5
Total fixed assets		7,100.0	7,093.5
Current assets			
<i>Receivables</i>			
Prepaid expenses and accrued revenue		0.1	0.2
Receivables from subsidiaries	20	1,752.3	790.9
Total current assets		1,752.4	791.1
Lending to credit institutions	12	36.3	17.8
TOTAL ASSETS		8,888.7	7,902.4
LIABILITIES AND EQUITY			
Equity			
Participation capital	25	6,770.6	6,307.5
Statutory reserve		140.3	140.3
Profit or loss brought forward	10	0.3	0.2
Profit for the year	10	974.8	445.4
Total equity		7,886.0	6,893.4
Liabilities			
<i>Long-term liabilities</i>			
Subordinated liabilities	24	1,000.1	1,000.0
Total long-term liabilities		1,000.1	1,000.0
<i>Current liabilities</i>			
Accounts payable, trade	22	0.4	0.4
Tax liabilities	22	0.4	7.9
Other current liabilities	22	0.3	0.4
Accrued expenses and prepaid revenues		1.5	0.3
Total current liabilities		2.6	9.0
TOTAL EQUITY AND LIABILITIES		8,888.7	7,902.4

Statement of changes in equity

– Parent Society

SEK, million	Participation capital	Statutory reserve ¹	Unrestricted equity	Total equity
Equity brought forward 1 January 2016	5,424.1	113.9	527.3	6,065.3
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 excess contribution capital ²	-4.2			-4.2
Equity carried forward 31 December 2016	6,307.5	140.3	445.6	6,893.4
Equity brought forward 1 January 2017	6,307.5	140.3	445.6	6,893.4
Profit for the year			974.8	974.8
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as refunds and interest			-445.3	-445.3
Allocation to statutory reserve			-	-
<i>New subscribed capital during the year</i>				
Participation capital from new members of the Society	40.7			40.7
Contributions from existing members	422.4			422.4
Disbursement of excess contribution capital ²				-
Equity carried forward 31 December 2017	6,770.6	140.3	975.1	7,886.0

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

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 25.

Cash flow statement – Parent Society

1 January – 31 December

SEK, million	2017	2016
Operational activities		
Profit after financial items	974.9	445.7
Adjustment for items not included in cash flow	-994.0	-458.7
Income tax paid	-7.6	-2.8
	-26.7	-15.8
Change in accounts payable, trade	0.0	0.0
Change in other liabilities	1.1	-0.4
Change in other assets	0.1	-0.1
Cash flow from operational activities	-25.5	-16.3
Financing activities¹		
New share issue in subsidiary	-1,000.0	-2,173.6
Repurchase of debenture loan	1,000.0	-
Distribution of surplus as refunds and interest	-445.3	-500.7
Participation capital from new members of the Society	40.7	50.7
Contributions from existing members	422.4	836.9
Disbursement of "överinsats"	-	-4.2
Change in debt ratios within the Group	26.2	1,817.5
Cash flow from financing activities	44.0	26.6
Cash flow for the year	18.5	10.3
Cash and equivalents at start of the year	17.8	7.5
Cash and equivalents at end of the year	36.3	17.8
Liquid assets consists in their entirety of cash and bank balances.		
Adjustment for items not included in cash flow		
Group contributions not received	-987.5	-458.7
Revaluation of financial fixed asset	-6.5	-
Cash flow from financing activities	-994.0	-458.7
Interest paid and earned, included in the cash flow		
Interest received	9.7	12.3
Interest paid	-12.2	-12.3

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 14 March 2018. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 26 April 2018.

Compliance with standards and legislation

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

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

Amended IAS 7 Statement of Cash Flows is applied effective from 2017. Disclosures for the Group have been added to the Cash flow statement on page 52 where the year's change in liabilities attributable to financing activities is specified in terms of new funding, amortisation, changes related to divestment/acquisition of subsidiaries and exchange rate effects. Disclosures are made for changes that affect cash flow and changes that do not affect cash flow. The amendment is applied prospectively, so no disclosures are presented for the comparison year. Because there are no liabilities attributable to the financing activities for the Parent Society, these disclosures are omitted from the Parent Society's cash flow statement.

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 2017, 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. IFRS 9 covers the classification and valuation of financial assets and liabilities, impairment and hedge accounting.

Classification and measurement

IFRS 9 classifies financial assets based on business model, which, together with the asset's cash flow, affects the valuation of the financial assets. According to IFRS 9, a company's business model may entail:

- receiving cash flows in the form of interest and principal, where assets are to be valued at amortised cost,
- a mixed model involving receiving cash flows in the form of interest and principal, although the objectives of the business model are met also through sales of holdings, this model is valued at fair value with changes in value being included in other comprehensive income,
- holding assets where the focus is on following up their fair value and generating cash flows by selling those assets.

For the above valuation to apply to the first two business models, it is also required that cash flows consist solely of payments of principal and interest – otherwise, the asset will be valued at fair value through the income statement. To assess this, the asset's cash flow character is tested by means of a so-called SPPI test.

In Kommuninvest's assessment, the purpose of the Group's financial assets is to be held to maturity and to receive cash flows in the form of principal and interest on principal. This assessment applies to both Kommuninvest's lending and liquidity portfolios. The existing ledgers have been SPPI tested, showing that all assets had cash flows only in the form of principal or interest on principal and those assets will be valued at amortised cost. In cases of poor matching, the fair value option will be applied to the lending or investment and the asset is valued at fair value through the income statement. It arises when the asset is hedged without hedge accounting being applied, with one or more derivatives being valued at fair value through the income statement. This would lead to a mismatch if the hedged asset were valued at amortised cost, while the derivative was valued at fair value through the income statement.

For Kommuninvest's lending portfolio, the transition to IFRS 9 will not entail any change in valuation since the lending is currently valued at amortised cost, at fair value with regard to hedged risk in fair value hedges, or at fair value through the income statement where matching is poor. For the liquidity portfolio, IFRS 9 entails investments currently classified as assets available for sale being revalued at amortised cost on the transition to IFRS 9, with the impact on equity amounting to SEK 0.9 million, which is derecognised from equity.

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. For Kommuninvest, the transition to IFRS 9 will not have any impact on the liability side.

*Note 1, continued**Impairment*

The new principles for impairment of financial assets entail a model based on expected credit losses on those assets that are valued at amortised cost or at fair value through other comprehensive income. Impairment is to be calculated based on the probability of a counterparty defaulting and the share of our exposure that would thus be lost.

To date, Kommuninvest has not suffered any credit losses in its lending or investment activities in the Group's 30-year history. Kommuninvest's highly individual business model, according to which loans are only provided to members of the Kommuninvest Cooperative Society and, where guaranteed by the members, to member-owned companies, or for investments in companies with high creditworthiness, means that provisions for expected credit losses will only amount to SEK 7.2 million on the implementation of IFRS 9.

Hedge accounting

Kommuninvest has chosen to apply the exemption rule in IFRS 9 and will continue to apply hedge accounting in accordance with IAS 39.

Effect on capital base

In Kommuninvest's assessment, the impact of the standard on the Group's capital base will be immaterial. Transitional rules regarding the effect of impairments on the capital base will not be applied.

IFRS 15 Revenue from contracts with customers

IFRS 15 is a new accounting standard that will come into force on 1 January 2018. Although pre-emptive application is permitted, Kommuninvest has chosen not to apply the standard pre-emptively. The standard is an accounting model for revenue from customer contracts and replaces current standards and interpretations for revenue recognition under IFRS. IFRS 15 does not apply to financial instruments. Kommuninvest has a financial management service that is affected by IFRS 15. Kommuninvest's assessment is that the impact of the standard will be insignificant in relation to Kommuninvest's earnings, position, disclosures, capital requirements, capital base or large exposures.

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.

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 currently has no financial leases. The majority of the operational leases held by Kommuninvest can be seen

as assets of minor value and are therefore subject to the relief rules under IFRS 16 and can be reported as previously. An analysis of IFRS 16's impact will be conducted in 2018, although a preliminary assessment is that the impact of the standard will be insignificant in relation to 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. All holdings in the liquidity reserve and borrowing instruments issued within the EMTN programme are estimated to have available market prices based on an active market, and these prices are used to determine fair value. 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 30 describes how fair value for financial instruments is derived including significant assumptions, uncertainty factors and sensitivity analyses. 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 30.

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.

*Note 1, continued***Associated companies**

Participations in associated companies are reported in accordance with the cost method. In 2016, the associated company, Administrative Solutions NLGFA AB, was placed in voluntary liquidation. Following that, Kommuninvest 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 the income statement.
- Interest on derivatives that are hedging instruments and for which hedge accounting is applied.

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

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

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

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 positive.

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 the income statement.
- Unrealised changes in fair value on derivatives where hedge accounting of fair value is applied.
- Unrealised changes in fair value on hedged item with regard to hedged risk in hedging fair value.
- Capital gain/loss from divestment of financial assets and liabilities.
- Exchange rate changes.

Financial instruments

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, issued securities, derivatives, subordinated liabilities and other financial liabilities. For further information, see Note 30.

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. In connection with this, Kommuninvest, in all material regards, transfers to another all of the risks and benefits associated with ownership of the financial asset. A financial liability is removed from the balance sheet once the obligation in the contract has been fulfilled or is in some other way extinguished. The same applies for part of a financial liability.

Financial assets and financial liabilities are offset and recognised at a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended to adjust the items with a net amount or to at the same time capitalise the asset and adjust the liability. Acquisitions and sales of financial instruments are reported on the business day, i.e. the day 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 the income statement, which are measured at fair value without taking transaction costs into account.

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

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

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

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

The first sub-group 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 the income statement 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 borrowing at fixed interest in this category is that these borrowings are hedged financially with a derivative at fair value and the borrowings are mainly used for loans measured at fair value. It would be inconsistent to measure lending and derivatives at fair value but not borrowings.

Note 1, continued

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

Loan receivables and accounts receivable

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

Available-for-sale financial assets

This category includes Kommuninvest's investments in interest-bearing securities which are not included in trade inventory 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 efficient.

Credit losses and impairment of financial instruments

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

At each reporting date, Kommuninvest evaluates whether there is objective evidence that any writedown is necessary for a financial asset or group of assets as the result of one or more events (loss events) occurring after initial recognition of the asset, and of these loss events having an impact on the esti-

mated 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 instrument 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 impairments were required as per 31 December 2017.

Intangible assets

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

Depreciation is recognised in the income statement on a linear basis over the estimated useful life of the intangible asset. Effective from October 2016, the depreciation of an asset commences in the month in which the asset was acquired and thus utilised, unlike previously when the amortisation began effective from January of the year in which the asset was acquired. The useful lives of assets are reassessed at least once per year. The estimated useful life is five years.

Tangible assets

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

Tangible assets are carried at cost less accumulated depreciation. The recognised value of a tangible 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. Gain/loss is recognised as other operating income/expense.

Depreciation is carried out on a linear basis over the asset's estimated useful life. Effective from October 2016, the depreciation of an asset commences in the month in which the asset was acquired and thus utilised, unlike previously when the depreciation began effective from January of the year in which the asset was acquired. Kommuninvest calculates a useful life of three or five years for equipment. Works of art included in the balance sheet are not depreciated.

Pension through insurance

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

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 dur-

Note 1, continued

ing a particular period. Premiums are paid to Alecta based on the current salary.

With regard to pension terms for senior executives, Kommuninvest has decided to comply with the principles set out in the Swedish government's guidelines for senior executives of state-owned companies (April 2009). Kommuninvest pays into a defined-contribution pension scheme equivalent to 30 percent of the CEO's and senior executives' pensionable salary, at most until the executive reaches the age of 65. In connection with Kommuninvest choosing to secure the CEO's commitment through a pension scheme, rather than through a pledged endowment policy as previously, the pledged endowment policy has been dissolved with the commitment instead being secured by means of a pension scheme for an amount equivalent to that paid out by the endowment policy.

The year's costs for these insurance premiums are shown in Note 7.

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 charge (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 finance 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.

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

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

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 25.

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 operating activities, investment activities and financing activities. Operating activities mainly include changes in the lending and liquidity portfolio. Investing activities encompass investments in tangible and intangible assets. The financing activities shows the issue and maturity/repurchase of issued securities. Kommuninvest applies the exemption rule in IAS 7:23 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 or more of income.

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 Risk and capital management – Group

Kommuninvest's principal assignment is to ensure access to stable and efficient funding for the local government sector. This entails borrowing funds on the financial market, based on customers' needs. All of the Group's financial operations are conducted within the Company. The operating model entails the Company being exposed to risks. The Company's targets, principles and methods for managing these risks, and the methods for measuring those risks, are presented below (see also pages 32-36 for a comprehensive description of Kommuninvest's risk profile and risk organisation and the separate Risk and Capital Management Report, which is available at www.kommuninvest.se). Also shown under each area of risk are the current exposure and estimated capital requirement.

Certain changes took place in 2017 with regard to the Company's targets, principles and methods for managing risk. The changes mainly involve the Company's goal of ensuring good maturities matching between assets and liabilities, rather than, pursuing longer maturities on liabilities than on assets, as previously. In line with this, the principles for the liquidity reserve have also been amended, with the reserve being allowed to be smaller, while the Company imposes more stringent demands on the quality and marketability of the assets.

In connection with these changes, exposure to both price risk and credit risk has decreased significantly. The liquidity reserve has decreased in volume and includes assets of higher

credit quality than in the preceding period. As a consequence of the risk-weighted exposure to credit risk having decreased, the Group's capital requirement for credit risk has also decreased significantly compared with the preceding period.

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. Credit risk arises in various ways in the Group's operations and is divided into three areas: credit provider risk arising in the lending operations, issuer risk arising in the Company's liquidity reserve and counterparty risk, which arises when the Company uses derivative instruments.

Credit risk is managed based on Kommuninvest's risk strategy, credit policy and financial policy. At least once a year, the Board sets limits for all investment and derivative counterparties, where that relates to the Company's total exposure to the counterparty. Maturity limits are determined by the President based on the counterparty's creditworthiness. In assessing which investment and derivative counterparties are to be approved, as well as the requirements to which these are subject, the counterparty's creditworthiness, including ownership status, scope and extent of operations, and financial stability are to be taken into account. The Group's credit risk exposures are presented in the table below.

Credit risk exposure	2017				2016			
	Recognised value	Exposure value ²	Risk-weighted exposure value	Capital requirement	Recognised value	Exposure value ²	Risk-weighted exposure value	Capital requirement
Credit advisory services								
Lending to municipalities and municipal companies ¹	310,147.3	310,147.3	0.0	0.0	276,982.1	276,982.1	0.0	0.0
Liquidity reserve								
Sovereign bonds eligible as collateral	24,635.8	24,635.8	0.0	0.0	16,964.4	16,964.4	0.0	0.0
Bonds and other interest-bearing securities	12,500.0	12,500.0	0.0	0.0	42,003.9	42,003.9	1,887.4	151.0
Lending to credit institutions	698.5	698.5	139.7	11.2	1,150.8	1,150.8	230.1	18.4
Derivatives								
Derivatives	8,044.6	6,630.4	0.0	0.0	24,449.8	21,951.6	0.0	0.0
Other assets								
Other assets	945.2	945.2	221.5	17.7	178.2	178.2	143.2	11.5
Off-balance sheet items								
Committed loans ¹	1,834.3	1,834.3	0.0	0.0	1,765.4	1,765.4	0.0	0.0
Committed, undisbursed loans ¹	2,476.2	2,476.2	0.0	0.0	4,535.7	4,535.7	0.0	0.0
Total (including off-balance sheet items)	361,281.9	359,867.7	361.2	28.9	368,030.3	365,532.1	2,260.7	180.9

1) Guaranteed by local government undertaking

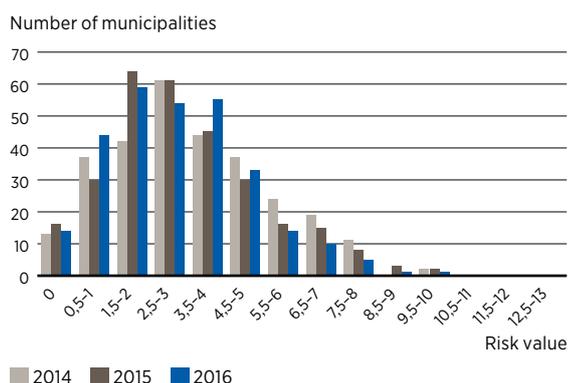
2) For all asset items other than derivatives, the reported value corresponds to the maximum credit exposure, i.e. exposure value. For derivatives, where the reported value refers to the total positive market value after netting of receivables and liabilities with central clearing counterparties, the maximum credit risk exposure (exposure value) refers to the sum of the present replacement cost and the potential future exposure (for further information, see the Counterparty risk section on pages 63-64).

Risk in credit provision

Credit provider risk refers to the risk that a credit counterparty fails to meet its obligations. This risk is limited by lending only to members and approved companies, foundations and associations in which one or more members has a controlling influence. Approved companies, foundations and associations are to be covered by a guarantee from one or more members. Members and approved companies, foundations and associations are followed up continuously and assessed from a holistic perspective at the corporation level. The risk in the Company's lending operations is very low and the Company has never suffered any credit losses in its lending operations.

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. How the municipalities are distributed between different risk-value groups is illustrated below in the diagram "Risk value model".

Risk value model



Capital requirement for credit provider risk

From the perspective of capital adequacy, the local government sector has a risk weight of 0 percent, meaning that when Kommuninvest uses the standardised method in the CRR regulations, there is no statutory capital requirement for credit provider risk.

Issuer risk

Issuer risk refers to the risk that the issuer of a security fails to repay its full undertaking on maturity. The risk is limited by investing the liquidity reserve in securities and bank balances where the issuer has a credit rating of at least A (S&P) or equivalent at an approved credit rating agency. In accordance with the Company's Finance Policy, investments may not be made in securities with a remaining maturity of more than 39 months (in the previous period, maturities were limited to 5.5 years). Placements are also subject to a country limit where the exposure to any individual country may not exceed SEK 15 billion, with the exception of Sweden for which there is no country limit. In addition, the Board of Directors determines the maximum gross exposure to individual issuers.

At year-end, the average remaining maturity of the investments in the liquidity reserve was 7.2 (20.6) months. The longest remaining maturity of an individual security was 26.1 (60.3) months.

The tables below show the exposure by country, rating and issuer category. The category "credit institution" consists primarily of securities issued by so-called subsidised lenders, which are treated as exposures to the national government, according to the CRR regulations.

Invested per country	2017	2016
Sweden	21,790.8	30,525.8
Supranationals	4,915.9	7,701.3
Germany	4,806.2	10,153.5
Finland	3,195.2	5,114.4
Denmark	2,063.2	3,004.0
Canada	925.7	1,470.3
United Kingdom	129.1	946.6
USA	8.2	9.0
Australia	-	602.0
Netherlands	-	592.1
Total	37,834.3	60,119.0

Invested per rating	2017	2016
AAA	33,006.7	46,327.2
AA	3,989.1	12,756.8
A	838.5	1,035.0
Total	37,834.3	60,119.0

Invested per issuer category	2017	2016
National governments or central banks	23,710.1	12,448.2
Credit institute		
- of which, subsidised lenders	7,584.1	16,730.8
- of which, bank balances	698.5	1,150.8
Multilateral development banks	4,915.9	7,701.3
Regional or local governments and authorities	925.7	5,974.1
Covered bonds	-	15,614.9
Public bodies	-	498.9
Total	37,834.3	60,119.0

Capital requirement for issuer risk

When calculating capital requirements for issuers risk, Kommuninvest uses the standard method in accordance with the CRR regulations. To determine the exposure value, the recognised value is assigned. The risk-weighted exposure value is calculated by the exposure being assigned a risk weight in accordance with the regulations. The risk-weighted exposure value is multiplied by 8 percent and, accordingly, the capital requirement for issuer risk amounts to SEK 11.2(169.4) million.

Counterparty risk

Counterparty risk refers to the risk that a counterparty in a financial agreement fails to fulfil its obligations under the contract. Counterparty risk arises when the Company includes derivative contracts to limit market risks. Counterparty risks are restricted by entering into contracts with financial institutions with high creditworthiness and requirements for assets pledged. Interest-rate contracts entered into as of October 2016 must be cleared by a central clearing counterparty.

In order for the Company to enter into an uncleared derivative, the counterparty must, at the time of the transaction, have a credit rating, as an issuer, of at least BBB+ or be guaranteed by someone with this credit rating. If the counterparty has a credit rating lower than A, particular attention is paid to the derivative's marketability, complexity and maturity. For the Company to enter into a cleared derivative, the counterparty must,

Note 2, continued

at the time of the transaction, have a credit rating, as an issuer of at least BBB-.

Counterparty risks are further reduced by concluding ISDA agreements and security agreements (known as CSA agreements) with all counterparties. ISDA agreements allow netting of positive and negative exposures. CSA agreements govern the right to collect collateral to eliminate the exposure arising from changes in the value of derivative contracts that have been entered. In connection with the new EMIR regulatory framework, which requires the replacement of variation margins for OTC derivatives, the Company has, since March 2017, introduced new CSA agreements with most counterparties, entailing a daily exchange of collateral without thresholds.

The exposure to counterparty risk is determined based on the market value of the derivative contracts. A positive market value means a potential loss if the counterparty were to fall. This risk is reduced by all transactions with the same counterparty, according to ISDA agreements, being netted against one another. Under the terms of CSA agreements, collateral is subsequently obtained for the net exposure (the current replacement cost), further reducing the risk. The initial margin set for cleared derivatives also entails a counterparty, as well as surplus collateral being pledged. Accordingly, the total counterparty risk amounts to SEK 971.3 (1,269.2) million.

Derivatives exposure	2017	2016
Recognised value ¹	8,044.6	24,449.8
Amount offset in the balance sheet	576.4	115.4
Gross market value²	8,621.0	24,565.2
Netting gains	-5,647.3	-8,064.5
Current replacement cost³	2,973.7	16,500.7
Collateral received	-2,628.0	-15,623.0
Net per counterparty incl. deductions for collateral	345.7	877.7
Initial margin pledged	590.2	317.7
Surplus collateral pledged	35.4	73.8
Total counterparty risk	971.3	1,269.2

1) Total positive market values after netting.

2) Total positive gross market values before netting.

3) Total positive gross market values after netting within each netting agreement.

Capital requirements for counterparty risk

In calculating capital requirements for counterparty risk, Kommuninvest applies the market valuation method where the exposure value is equal to the sum of the current replacement cost and potential future exposure. To determine the current replacement cost for all contracts with a positive value, the contracts are assigned the current market values. To determine the potential future exposure, the nominal amount is multiplied by the percentages stated, based on maturity and contract structure, in the CRR regulations.

The exposure value is then multiplied by the current risk weight, giving the risk-weighted exposure value. Since all members of the Society have signed a guarantee agreement, under which they assume responsibility for the Company's exposures, the risk weight of zero is assigned to all counterparty exposures. Accordingly, the risk-weighted exposure amounts are zero and the capital requirement for counterparty risk is thus also zero. See table Capital requirements for counterparty risk

Capital requirements for counterparty risk	2017	2016
Current replacement cost ¹	2,973.7	16,500.7
Potential future exposure	3,656.7	5,450.9
Exposure value	6,630.4	21,951.6
Risk-weighted exposure value ²	0.0	0.0
Capital requirement	0.0	0.0

1) Total positive gross market values after netting within each netting agreement.

2) Guarantee undertaking by local government authorities gives a risk weight of 0 percent.

CVA risk

Creditworthiness adjustment or Credit Valuation Adjustment (CVA) is a price adjustment applied to derivatives that takes the counterparty's creditworthiness into account. Accordingly, CVA measures the risk that the market value of derivative contracts will decrease as the creditworthiness of the counterparty deteriorates.

Capital requirement for CVA risk

In calculating capital requirements for CVA risk under Pillar 1, Kommuninvest applies the standardised method in CRR. As the exposure value, the fully adjusted exposure value is used, meaning that the risk-reducing effects of the collateral are taken into account. In accordance with the regulations, transactions with central clearing counterparties are excluded. At the end of the year, the capital requirement for CVA risk was SEK 60.4 (122.9) million.

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.

Kommuninvest'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. Since all lending is covered by a guarantee from one or more members, the assessment is made that no capital requirement need be recognised for concentration risk in the provision of credit.

Concentrations towards issuers in the Company's derivative portfolio are restricted, in part, by limits on individual counterparties and, in part, by limits on how large a share of the total derivative portfolio (nominal volume) may result from exposure to individual counterparties. Given that the Company's members sign guarantee undertakings for the Society's derivative exposures, no capital requirement is recognised for concentration risk in the derivative portfolio.

Concentrations towards issuers in the Company's liquidity reserves is restricted by limits on individual counterparties as well as by country limits. For this concentration risk, the Group recognises capital requirements as shown below.

Capital requirements for concentration risk in the liquidity reserve

The calculations of capital requirements for credit risk-related concentration risk that the Group has implemented are based on the method described in the Financial Supervisory Authority's (FI) memorandum "FI methods for assessing individual risk types under Pillar 2" from 8 May 2015.

Note 2, continued

Credit-related concentration risks are measured for three concentrations: geographic concentration, industry-specific concentration and name concentration.

Concentration risks are estimated applying the Herfindahl index, meaning that exposures are grouped and weighted in relation to their share of the total exposure. A higher Herfindahl index means a greater concentration. Capital requirements for concentration risks are subsequently calculated, applying formulas, as a proportion of the capital requirement for credit risk under Pillar 1.

When the calculations were performed as per 31 December 2017, the capital requirement under Pillar 2 for concentration risks in the liquidity reserve was 19.0 (15.9) percent of the capital requirement for credit risk under Pillar 1, that is to say, SEK 5.5 (28.7) million.

Market risk

Market risk is defined as the risk that the net market value (combined value) of the Company's assets and liabilities will decrease due to changes in risk factors in the financial market.

Market risk mainly arises in the funding operations and in the investment of the funds included in the Company's liquidity reserve. For funding to be stable and efficient, the Company

needs to be active in several different funding markets. As a result, the Company is exposed to market risks. The market risks are divided into interest rate risk, foreign exchange risk, credit market risk, other price risks and liquidation risk.

The Company limits its exposure to market risk by means of derivative contracts. The reason for a certain exposure to market risks being permitted is to make the business more efficient and not to permit risk-taking for speculative purposes.

Interest rate risk

Interest rate risk refers to the risk that a change in the interest situation will decrease the net market value of the Company's assets and liabilities. Interest rate risk arises as a consequence of the periods for which interest is fixed for assets and liabilities not being in agreement. The Company does not take any interest rate risk positions for speculative purposes. For the Company's assignment to be conducted efficiently with regard to the conservative view on risk, risk is managed through portfolio matching. This means that small, temporary differences in interest rate periods are permitted for assets and liabilities.

The table below shows the periods of fixed interest for assets and liabilities. Period of fixed interest term for cancellable lending and funding refers to the next possible cancellation date.

Periods of fixed interest

2017	Nominal amount						Total
	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	
Assets							
Sovereign bonds eligible as collateral	17,474.7	1,222.2	5,623.4	-	-	-	24,320.3
Lending to credit institutions	698.5	-	-	-	-	-	698.5
Bonds and other interest-bearing securities	2,346.3	3,838.7	6,184.2	-	-	-	12,369.2
Lending	180,329.5	20,151.4	87,308.3	18,080.1	2,173.1	-	308,042.4
Derivative investments	24,374.3	-11,136.6	-12,773.6	-	-	-	464.1
Derivative lending	113,179.3	-16,068.1	-76,938.3	-18,241.5	-1,931.4	-	0.0
Other assets	-	-	-	-	-	945.2	945.2
Total assets	338,402.6	-1,992.4	9,404.0	-161.4	241.7	945.2	346,839.7
Liabilities and shareholders' equity							
Liabilities to credit institutions	558.8	729.2	-	-	-	-	1,288.0
Securities issued	53,115.3	64,848.1	194,490.5	25,507.4	1,250.0	-	339,211.3
Derivative funding	260,421.4	-53,644.0	-183,229.1	-25,407.4	-1,000.0	-	-2,859.1
Other liabilities	654.8	-	-	-	-	59.4	714.2
Subordinated liabilities	1,000.1	-	-	-	-	-	1,000.1
Shareholders' equity	-	-	-	-	-	8,389.0	8,389.0
Total liabilities and shareholders' equity	315,750.4	11,933.3	11,261.4	100.0	250.0	8,448.4	347,743.5
Difference, assets and liabilities.	22,652.2	-13,925.7	-1,857.4	-261.4	-8.3	-7,503.2	-903.8

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Note 2, continued

Periods of fixed interest

2016 ¹	Nominal amount						Total
	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	
Assets							
Sovereign bonds eligible as collateral	7,586.0	3,225.3	7,372.2	-	-	-	18,183.5
Lending to credit institutions	1,150.8	-	-	-	-	-	1,150.8
Bonds and other interest-bearing securities	10,775.1	4,511.4	23,981.9	-	-	-	39,268.4
Lending	153,979.6	28,933.0	77,274.8	12,370.6	1,481.0	-	274,039.0
Derivative investments	51,094.8	-15,656.0	-33,935.7	-	-	-	1,503.1
Derivative lending	100,345.7	-22,815.6	-63,743.3	-12,547.5	-1,239.3	-	0.0
Other assets	-	-	-	-	-	178.2	178.2
Total assets	324,932.0	-1,801.9	10,949.9	-176.9	241.7	178.2	334,323.0
Liabilities and shareholders' equity							
Liabilities to credit institutions	771.1	774.9	774.8	-	-	-	2,320.8
Securities issued	58,075.7	61,773.8	206,334.9	12,958.6	1,250.0	-	340,393.0
Derivative funding	253,288.2	-61,383.0	-194,791.1	-12,958.6	-1,000.0	-	-16,844.5
Other liabilities	-	-	-	-	-	56.4	56.4
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Shareholders' equity	-	-	-	-	-	7,306.8	7,306.8
Total liabilities and shareholders' equity	313,135.0	1,165.7	12,318.6	0.0	250.0	7,363.2	334,232.5
Difference, assets and liabilities.	11,797.0	-2,967.6	-1,368.7	-176.9	-8.3	-7,185.0	90.5

1) The comparative figures for 2016 have been restated, with the effect that they are not comparable with the figures in the 2016 Annual Report.

Sensitivity analysis

According to the limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 30 (15) million given a one percentage point parallel shift in the yield curve. However, interest rate risk is permitted to correspond to an exposure of at most SEK 50 (25) million over a period of at most FIVE consecutive business days.

At year-end, the exposure (throughout the portfolio) amounted to a negative SEK 11.0 (21.0) million given a one percentage point parallel shift (upwards) in the yield curve. Due to changes in the value of assets and liabilities, a positive value exposure entails a positive interest effect if rates rise and a negative interest effect if rates fall.

If only transactions valued at fair value are taken into account, the result would change by SEK 211.8 (203.8) million given a one percentage point parallel shift (upwards) in all market interest rates.

Capital requirement for interest rate risk

The capital requirement for interest rate risk under Pillar 2 has been calculated based on Finansinspektionen's model for interest rate risk in the banking book. The model calculates the change in the value of the Company's net assets, given a number of change scenarios for the zero coupon curve. The change scenarios consist partly of parallel displacements, upwards and downwards, where the magnitude of the shift is based on historical market data and partly of four changes in the curve gradient, where the interest rate curve increases or decreases by 150 basis points over short or long maturities.

As one of the ten largest institutions in Sweden, Kommuninvest makes one calculation in which flows are grouped in time slots, the so-called basic approach, and another calculation in which cash flows are grouped by business day, the so-called advanced approach. The Company recognises the capital requirement for interest risk based on the worst outcome of the two approaches.

The capital requirement for interest risk under Pillar 2 is recognised in the amount of SEK 44.4 (31.1) million, based on the basic approach, which gave the worst outcome.

Foreign exchange risk

Foreign exchange risk refers to the risk that a change in exchange rates will decrease the net market value (combined value) of the Company's assets and liabilities. Foreign exchange risk arises if assets and liabilities denominated in a specific currency in the balance sheet are mismatched in terms of size. The Company hedges all known future flows by means of derivatives. However, foreign exchange risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments.

The Company's foreign exchange risks arise from the net interest income generated by the portion of the liquidity reserve denominated in USD or EUR. This risk is limited by continuously converting such returns into SEK. The maximum permitted exposure corresponds to SEK 5 million in each currency.

Capital requirement for foreign exchange risk

The Company's exposure to foreign exchange risk is so low that there is no longer a statutory capital requirement.

The capital requirement under Pillar 2 is calculated by multiplying the exposure by the foreign exchange fluctuations over the year. In 2017, the SEK/EUR and SEK/USD foreign exchange rates fluctuated by as much as 6 (6) percent per month. An exchange rate fluctuation of 6 (6) percent, with an exposure of SEK 5 million, would entail a capital requirement of SEK 0.3 (0.3) million per month. Accordingly, on an annual basis, this corresponds to a capital requirement of SEK 3.6 (3.6) million.

Note 2, continued

Foreign exchange risk, 2017		Recognised value						
Assets and liabilities by currency	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
Sovereign bonds eligible as collateral	18,206.1	1,386.6	5,055.5	-	-	-	-12.4	24,635.8
Lending to credit institutions	569.4	37.4	91.7	-	-	-	-	698.5
Bonds and other interest-bearing securities	960.0	2,457.3	9,095.7	-	-	-	-13.0	12,500.0
Lending	308,486.1	-	-	-	-	-	1,661.2	310,147.3
Derivatives	-37,835.1	-1,686.5	36,969.1	3,636.0	968.9	3,928.7	2,063.5	8,044.6
Other assets	896.7	0.0	42.7	-	-	5.8	-	945.2
Total assets	291,283.2	2,194.8	51,254.7	3,636.0	968.9	3,934.5	3,699.3	356,971.4
Liabilities and shareholders' equity								
Liabilities to credit institutions	-	553.0	-	734.3	-	5.8	25.3	1,318.4
Securities issued	180,945.4	1,726.2	130,610.5	3,001.5	5,044.9	14,888.8	1,538.5	337,755.8
Derivative liabilities	101,041.4	-84.6	-80,011.6	-99.8	-4,076.0	-10,960.1	1,984.6	7,793.9
Other liabilities	58.4	-	655.8	-	-	-	-	714.2
Subordinated liabilities	1,000.1	-	-	-	-	-	-	1,000.1
Shareholders' equity	8,238.1	-	-	-	-	-	150.9	8,389.0
Total liabilities and shareholders' equity	291,283.4	2,194.6	51,254.7	3,636.0	968.9	3,934.5	3,699.3	356,971.4
Difference, assets and liabilities.	-0.2	0.2	0.0	0.0	0.0	0.0	-	-
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency								
	-	0.0	0.0	0.0	0.0	0.0	-	-

Foreign exchange risk, 2016 ¹		Recognised value						
Assets and liabilities by currency	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
Sovereign bonds eligible as collateral	10,227.4	1,597.0	6,575.1	-	-	-	22.8	18,422.3
Lending to credit institutions	1,003.1	71.2	75.1	-	0.0	1.4	-	1,150.8
Bonds and other interest-bearing securities	18,112.1	4,270.0	17,804.5	-	-	-	359.4	40,546.0
Lending	274,609.1	-	-	-	-	-	2,373.0	276,982.1
Derivatives	-96,754.6	-4,311.2	113,273.9	5,455.9	1,488.8	2,099.4	3,197.6	24,449.8
Other assets	177.5	-	0.7	-	-	-	-	178.2
Total assets	207,374.6	1,627.0	137,729.3	5,455.9	1,488.8	2,100.8	5,952.8	361,729.2
Liabilities and shareholders' equity								
Liabilities to credit institutions	0.3	537.0	0.1	1,793.8	-	1.3	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	26,521.6	-2,022.2	5,194.4	-7,250.4	-3,912.0	-12,401.3	3,260.4	9,390.5
Other liabilities	56.4	-	-	-	-	-	-	56.4
Subordinated liabilities	1,000.0	-	-	-	-	-	-	1,000.0
Shareholders' equity	7,570.5	-	-	-	-	-	-263.7	7,306.8
Total liabilities and shareholders' equity	207,376.4	1,626.5	137,728.1	5,455.9	1,488.8	2,100.7	5,952.8	361,729.2
Difference, assets and liabilities.	-1.8	0.5	1.2	0.0	0.0	0.1	-	-
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	-	-

1) The comparative figures for 2016 have been restated, with the effect that they are not comparable with the figures in the 2016 Annual Report. Previously, all derivatives were reported on the liability side, while, from 2017, these are reported on both the asset and liability sides. For two of the items, the total differs from the reported value in the balance sheet, which is explained by a couple of counterparties having been reclassified. Accordingly, in this table, the item Sovereign bonds eligible as collateral is SEK 1,457.9 million higher than in the balance sheet and the item Bonds and other interest-bearing securities is SEK 1,457.9 million lower than in the balance sheet.

Note 2, continued

Credit market risk

Credit market risk refers to the risk that a change in a basis or credit spread in the market would reduce the net market value (combined value) of the Company’s assets and liabilities. Credit market risk arises primarily as a consequence of imbalances in maturities between assets and liabilities valued at fair value.

Credit market risk is further broken down into credit spread risk on assets, credit spread risk on liabilities, credit spread risk on derivatives (CVA risk) and basis swap risk. Credit spread risk on assets and derivatives refers to the risk that a change in the counterparty’s credit spread would reduce the value of the Company’s assets or derivatives. Credit spread risk on liabilities refers to the risk that a change in the Company’s credit spread will increase the value of the Company’s liabilities. Basis swap risk refers to the risk that a change in the basis swap spread between two currencies will affect the market value of currency related derivatives contracts negatively.

The Company restricts the credit market risk through good maturity matching between assets (loans and investments) and liabilities (funding and shareholders’ equity).

Shown below is the Company’s sensitivity to general changes in market credit spreads corresponding to a basis point parallel shift (upwards).

Sensitivity to credit market risk	2017	2016
Total	-0.1	-5.8
Investments, fair value option	-2.9	-8.7
Investments, available for sale	-0.2	-2.3
Lending	-15.8	-20.7
Funding	18.8	25.9

Capital requirement for credit market risk

A total capital requirement under Pillar 2 for credit market risk (excluding credit spread derivatives) is calculated for a number of scenarios. The largest capital requirement calculated for a single principal scenario will then constitute the Company’s capital requirement for credit market risk. The principal scenarios underlying the capital requirement calculation are either theoretical or have been developed based on actual market changes for selected time periods.

The historical scenarios are intended to capture periods when fluctuations were greatest in the credit markets where the Company makes business transactions. The historical scenarios also include scenarios in which credit and basis swap movements are simulated using mathematical models, with a certain degree of probability, based on market data from various, selected periods of time.

The theoretical scenarios are prepared based on the credit market risks associated with the Company’s business model and that could arise from that. These scenarios are included to ensure that the capital requirements cover all of the risks that could arise from the Company’s business model since the historical scenarios do not necessarily cover all of the various possible scenarios.

In the calculations performed as per 31 December 2017, the total capital requirement for credit market risk amounted to SEK 1,434.0 (1,457.2) million.

Other price risks

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

Liquidation risk

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

Business risk and strategic risk

Business risk is the risk of reduced revenues or increased expenses as a consequence of factors in the external business environment (including market conditions, customer behaviours and technological developments) having a negative impact on volumes and margins. All departments within the Company work continuously with external monitoring in their respective fields.

Strategic risk is the long-term risk of losses due to erroneous or misguided strategic choices and business decisions, incorrect implementation of decisions or inadequate sensitivity to changes in society, regulatory systems or the financial sector and/or local government sector. The Company has a procedure for developing strategic targets set by the Board of Directors. Strategic risks are limited by strategic decisions being made on the basis of well-founded analyses and decisions of a strategic nature often being made by the Board of Directors.

These risks include, among other things, the earnings risk, which means that the risk of losses resulting from revenues or expenses differing in relation to the business plan and forecasts. The Company’s earnings risks decreased during the year as part of the Company’s increased focus on matching of maturities between assets and liabilities in the balance sheet. Since the Company thereby reduced the amount of pre-financed new lending, the likelihood increases that the Company will be able to transfer increased/lower borrowing costs to customers. Since the favourable matching of maturities also includes assets and liabilities in different currencies, a change in basis and exchange spreads will not affect earnings on existing balances in the balance sheet, to any significant extent.

Note 2, continued

Sensitivity analysis of the Company's net interest income based on a change in all market interest rates

The effect on the Company's net interest income is analysed on the basis of two scenarios: a parallel displacement upwards of 100 basis points and a parallel displacement downwards of 50 basis points. Given the generally very low market rates, the scenarios are made asymmetrical – the interest rate was adjusted less in the scenario where interest rates fall further.

The Company has good matching of cash flows between assets and liabilities. The only exceptions are assets financed by shareholders' equity, which lack cash flows. The earnings from these assets, which are financed with shareholders' equity, will therefore increase if market interest rates rise and correspondingly decrease if market interest rates fall.

If all market interest rates were to rise by 100 basis points at year-end, interest income over a one-year period would increase by SEK 104 million, provided that the size and composition of balance sheet does not change, and correspondingly, if all market interest rates were to fall by 50 basis points at year-end, net interest income would have decreased by SEK 52 million over a one-year period.

Capital requirements for business risk and strategic risk

The Company has not assigned any capital requirements for business risk and strategic risk. On the other hand, these risks are assessed as part of the Company's stress tests in the capital planning buffer.

Liquidity and financing 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 short liquidity risk corresponds to risks in day-to-day liquidity management where unforeseen events could make it difficult for the Company to meet its obligations. The short liquidity risk is restricted by holding a liquidity reserve with highly liquid assets. Short-term liquidity risk is further limited by the Company being a full member of the Riksbank's (Swedish central bank) RIX payment system, through which the Company can, among other things, raise loans against collateral.

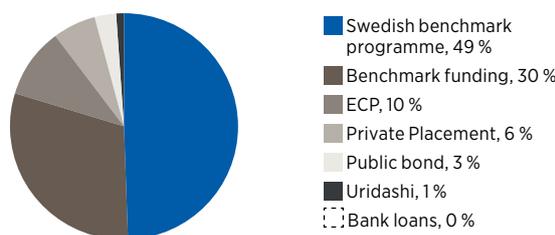
The structural liquidity risk (financing risk) corresponds to the risk that the Company has not financed its long-term commitments in advance. This risk is restricted, in part, through access to diversified borrowing and, in part, through good matching of maturities between assets and liabilities.

The Company's method for managing structural liquidity risk (good maturity matching) represents a change from the previous period when the Company generally sought longer maturities on liabilities than assets.

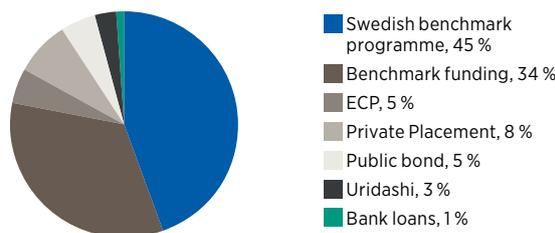
Diversified funding

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

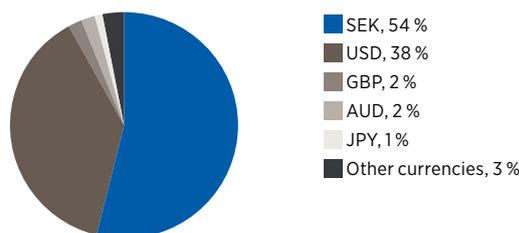
Total funding by type of instrument, 31 December 2017



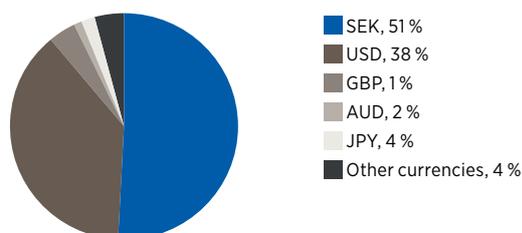
Total funding by type of instrument, 31 December 2016



Total funding by currency, 31 December 2017



Total funding by currency, 31 December 2016



Note 2, continued

Good matching between assets and liabilities

Liquidity risks arise when assets and liabilities have different maturities. To minimise this risk, the Company strives to achieve good matching between assets (lending and investments) and liabilities (funding and shareholders' equity). The goal is to match assets and liabilities with maturities of more than one year and for deviations over time to be zero. The graph below illustrates the balance sheet maturity profile, indicating good matching between assets and liabilities.

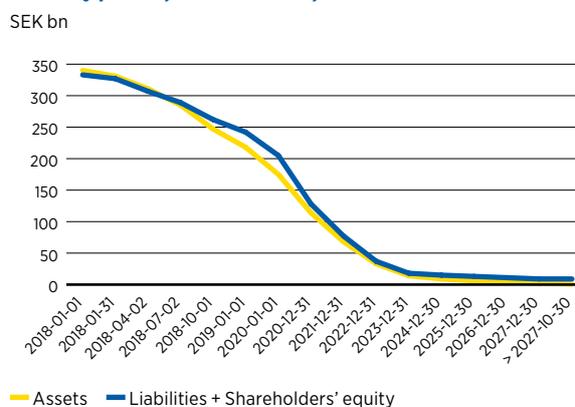
The average maturity of the Company's outstanding funding amounted to 2.2 (2.3) years at the end of the year, if the earliest possible cancellation date is used in the calculation. In connection with cancellable borrowing, the investor has the right, under certain conditions, to request premature repayment of loaned funds.

At year-end, the average maturity on the Company assets amounted to 2.2 (2.2) years, with capital in the Company's lending portfolio being tied up for an average 2.4 (2.3) years, and capital in the liquidity reserve being tied up for 0.6 (1.7) years.

Maturity profile, balance sheet, 31 December 2017



Maturity profile, balance sheet, 31 December 2016



Note 2, continued

Maturity analysis

The maturity analysis below shows undiscounted cash flows, including amortisation and interest payments, based on the remaining agreed maturity dates. All flows are converted to Swedish kronor by applying a spot rate.

2017	Contractual, non-discounted cash flows						Total	Recognised value
	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity		
Assets								
Sovereign bonds eligible as collateral	-	17,534.9	1,368.8	5,823.9	-	-	24,727.6	24,635.8
Lending to credit institutions	-	698.5	-	-	-	-	698.5	698.5
Bonds and other interest-bearing securities	-	1,601.8	4,789.2	6,306.4	-	-	12,697.4	12,500.0
Lending	-	27,911.4	61,535.7	199,063.1	27,206.2	-	315,716.4	310,147.3
Derivatives	-	1,598.5	3,209.8	5,005.9	197.4	-	10,011.6	8,044.6
Other assets	-	945.2	-	-	-	-	945.2	945.2
Total assets	-	50,290.3	70,903.5	216,199.3	27,403.6	-	364,796.7	356,971.4
Liabilities and shareholders' equity								
Liabilities to credit institutions	-	5.8	745.3	562.2	-	-	1,313.3	1,318.4
Securities issued	-	29,852.4	75,665.8	212,028.7	27,619.7	-	345,166.6	337,755.8
Derivative liabilities	-	719.0	1,185.9	4,104.0	-121.9	-	5,887.0	7,793.9
Other liabilities	-	714.2	-	-	-	-	714.2	714.2
Subordinated liabilities	-	2.7	10.3	96.3	1,727.8	-	1,837.1	1,000.1
Shareholders' equity	-	-	-	-	-	8,389.0	8,389.0	8,389.0
Total liabilities and shareholders' equity	-	31,294.1	77,607.3	216,791.2	29,225.6	8,389.0	363,307.2	356,971.4
Total difference	-	18,996.2	-6,703.8	-591.9	-1,822.0	-8,389.0	1,489.5	-
Committed loans	1,834.3							
Committed, undisbursed loans ¹		-1,525.7	-701.6	1,939.8	359.5	-	72.0	

1) Negative amounts refer to outflows and positive amounts to inflows.

2016 ¹	Contractual, non-discounted cash flows						Total	Recognised value
	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity		
Assets								
Sovereign bonds eligible as collateral	-	3,156.7	3,327.3	12,140.6	-	-	18,624.6	16,964.4
Lending to credit institutions	-	1,150.8	-	-	-	-	1,150.8	1,150.8
Bonds and other interest-bearing securities	-	3,983.6	7,916.5	29,158.9	-	-	41,059.0	42,003.9
Lending	-	22,921.9	76,936.3	163,922.3	17,573.3	-	281,353.8	276,982.1
Derivatives	-	4,038.8	10,668.7	13,675.2	659.1	-	29,041.8	24,449.8
Other assets	-	178.2	-	-	-	-	178.2	178.2
Total assets	-	35,430.0	98,848.8	218,897.0	18,232.4	-	371,408.2	361,729.2
Liabilities and shareholders' equity								
Liabilities to credit institutions	-	240.5	810.1	1,342.1	-	-	2,392.7	2,396.1
Securities issued	-	29,892.1	67,381.4	237,100.7	15,115.0	-	349,489.2	341,579.4
Derivative liabilities	-	806.2	3,533.4	4,790.9	220.4	-	9,350.9	9,390.5
Other liabilities	-	56.4	-	-	-	-	56.4	56.4
Subordinated liabilities	-	2.7	9.3	85.3	1,787.8	-	1,885.1	1,000.0
Shareholders' equity	-	-	-	-	-	7,306.8	7,306.8	7,306.8
Total liabilities and shareholders' equity	-	30,997.9	71,734.2	243,319.0	17,123.2	7,306.8	370,481.1	361,729.2
Total difference	-	4,432.1	27,114.6	-24,422.0	1,109.2	-7,306.8	927.1	-
Committed loans	1,765.4							
Committed, undisbursed loans ²		-3,327.2	-570.8	3,113.9	918.6	-	134.5	

1) The comparative figures for 2016 have been restated, with the effect that they are not comparable with the figures in the 2016 Annual Report.

2) Negative amounts refers to outflows and positive amounts to inflows.

Note 2, continued

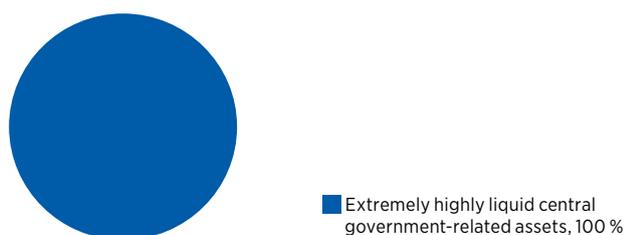
Liquidity reserve

To ensure good liquidity preparedness even during periods of stress (e.g. aggravating financing opportunities in the capital markets), the Company maintains a liquidity reserve. The liquidity reserve is defined as the Company's holdings in securities, investment repos and bank balances. Bank balances refer to investments lacking underlying securities. The Company's own holdings of securities and securities pledged as collateral are excluded from the reserve.

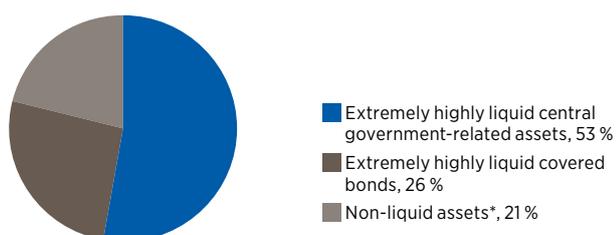
Certain changes have been made since the previous period regarding the Company's targets and principles for the liquidity reserve. The scale of the liquidity reserve is no longer limited to at least 15 percent of the total lending volume, but is governed instead by the principle that a sufficient volume shall be maintained to meet the Company's liquidity needs even during periods of substantial unease in the financial markets.

Accordingly, the focus is on the Company's liquidity reserve comprising assets of good credit quality and that are easily traded or redeemed. Investments may only be made in liquid interest-bearing securities and bank balances with senior status in the event of insolvency and, from a capital adequacy point of view, have a maximum risk-weight of 50 percent. Investment may include implicit or explicit zero interest rate flooring but no other structures.

Liquidity reserve by HQLA category, 31 December 2017



Liquidity reserve by HQLA category, 31 December 2016



1) Non-liquid assets: Credit institutions 10 %, Local government authorities 8 %, Development banks 2 %, Public bodies 1 %.

Liquidity measure

The liquidity coverage ratio (LCR) measures the ratio of highly liquid assets to net cash outflows over a 30-day period, in a stressed situation. Accordingly, a liquidity coverage ratio of 100 percent ensures that, in the short term, the Company's liquidity reserve comprises sufficiently liquid assets to meet net cash outflows over the ensuing 30 days in a stressed situation.

Kommuninvest measures and monitors LCR on a daily basis – in part, on an overall level and, in part, for significant currencies, that is, within each currency where the Company has borrowings amounting to 5 percent or more of total borrowing (those currencies being SEK and USD). According to the limit set by the Board of Directors, the LCR quota may not be lower than 110 percent. This requirement includes all currencies combined, and individually for EUR and USD. For SEK, the Board of Directors has set a limit of 50 percent.

The high proportion of sovereign bonds and other liquid assets in the Company's liquidity reserve mean that the liquidity ratio exceeds the government's requirements by a good margin. In accordance with the CRR regulations, the Company's LCR, as of 31 December 2017, was 206.7 (699.7) percent, 472.4 (1,127.7) percent in USD and 234.0 (186.2) percent in SEK (see table below).

Up until 31 December 2017, the Company has also had to meet an LCR quota calculated in accordance with the Swedish Financial Supervisory Authority's regulations. The two different LCR measurements are broadly equal, with only a few differences existing in how they are calculated. As per 31 December 2017, the Company's LCR according to FI totalled 399.8 (708.8) percent, 648,552.8 (1285.7) percent in EUR and 470.7 (1470.6) percent in USD. The Company has very small outflows in EUR, which explains the extremely high liquidity coverage ratio in EUR.

For measures of structural liquidity risk, the Company measures and monitors the net stable funding ratio (NSFR), that is, the relationship between available stable financing and the Company's need for stable financing. In 2018, a statutory quota of 100 percent will be introduced and the Company has a limit set by the Board of Directors since 2016 requiring that the NSFR not fall below 110 percent. At year-end, the NSFR was 136.8 (145.5) percent.

Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations	2017			2016		
	Total	USD	SEK	Total	USD	SEK
Extremely highly liquid assets (Level 1), excluding covered bonds	35,954.3	1,692.1	18,595.2	31,179.7	2,188.8	6,729.4
Extremely highly liquid covered bonds (Level 1)	-	-	-	13,667.8	-	13,667.8
Highly liquid assets (Level 2)	-	-	-	81.9	9.0	-
Liquidity buffer, SEK million	35,954.3	1,692.1	18,595.2	44,929.4	2,197.8	20,397.2
Cash outflows, SEK million	21,835.2	1,432.8	12,364.2	9,638.1	779.6	15,565.9
Cash inflows, SEK million	4,442.9	1,074.6	4,416.1	3,217.1	1,329.7	4,609.4
Net cash outflow, SEK million	17,392.3	358.2	7,948.1	6,421.0	194.9¹	10,956.5
Liquidity coverage ratio (%)	206.7	472.4	234.0	699.7	1,127.7	186.2

1) When calculating net cash outflow, cash inflows are subject to a 75 % cap of cash outflows (194.9 = 779.6 - 779.6 * 0.75).

*Note 2, continued***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 risk is inherent in the Company's operations and cannot be completely avoided, eliminated or transferred to another party. However, through good governance and control, Kommuninvest can reduce the likelihood of this risk arising and can reduce the consequences that may arise as a result of operational risk.

Risk management

Operational risks exist throughout the operations and can never be completely avoided. Risk management and analysis are performed continuously. Self-assessment, incident management, approval processes in connection with amendments, and contingency and continuity planning are among the methods used to identify, manage and analyse operational risk. The risks are mitigated by good governance and control, thus keeping operational risk at a controlled and acceptable level.

Risk management within Kommuninvest comprises uniform measurement and reporting of operational risks. An analysis of the level of risk in all operations is performed on a regular basis and reported to the Board of Directors, CEO and management. The operational risk unit within the Risk and Control department bears overall responsibility for the methods and procedures used to measure, identify, control, assess, analyse, evaluate and report operational risks. The process of managing operational risk is performed based on Kommuninvest's risk appetite and the processes essential to the operations.

Methods for identifying, managing and analysing operational risks*Risk indicators*

Risk indicators are a measure of the effects of governance and control within the Company, and are to be monitored and analysed continuously to alert the operations if their risks increase. Reviewing these indicators serves to inform the units of the operations if the risk situation within Kommuninvest changes.

Self-assessment

Operational risks can arise in any part of the Company's operations. What the operational risks have in common is that their size is only to a minor extent affected by external factors, such as changes in market rates or in the creditworthiness of different customers or counterparties. Instead, operational risks arise through shortcomings in Kommuninvest's own operations and/or organisation. Against this background, the CEO is responsible, alongside all department managers, for conducting at least one yearly self-assessment of the operational net risks in the Company's products, services, functions, processes and IT systems. The results of the self-assessment are reported annually to the Board of Directors, the CEO and the management.

Stress tests

Stress tests are a tool for ensuring that Kommuninvest keeps a forward-looking perspective in its risk management and capital planning. Stress test is a collective name for various types of evaluations that the Company performs in its operations, experienced-based or hypothetical, to quantify risks and to measure the Company's capacity to manage extraordinary circumstances. Stress tests are to be performed using scenario analyses or sensitivity analyses.

Incident management

A reportable event is defined as one that deviates from the expected. Reportable events are those where risks are materialised, that is, external events or events within Kommuninvest that have, or could have, a negative impact on the Company's business, assets, or reputation.

Kommuninvest shall, in an organised and structured manner, track reportable events (incidents), basing this work on the Company's established instructions for such reporting. Events that deviate from the expected should, as far as possible, be reported and handled within the area of operations or the process in which the risk arises. The head of the relevant operations is responsible for employees reporting such events and taking action to handle the events.

Processes for approving new products, services, markets, currencies, IT systems, and organisational and operational changes (NPAP)

Kommuninvest's approval process is to be initiated when the need for a new product, service, market, currency, process, or IT system arises or is identified, or when a substantial change is needed in an existing one. The process should also be initiated in connection with major changes in the Company's operations or organisation. The purpose of the process is to identify and manage the risks that may arise in connection with change. Written documentation for approval decisions shall be prepared in accordance with the operational management templates by the individual initiating the matter. The documentation shall be developed in dialogue with all relevant functions at the Company.

Continuity management

The organisation shall perform crisis prevention work. This is done in the operations under the direction of the relevant department manager. To provide support, guidelines are to be provided in the form of security instructions, continuity management plans and security procedures. To ensure that continuity management in the Company includes coordinating, reviewing and reporting functions, the CEO has appointed a Crisis Group. At least once a year, the Board of Directors shall be informed of the latest results from tests of the contingency, continuity and recovery plans.

Capital requirement for operational risk

Kommuninvest applies the base indicator method to determine the capital requirement for operational risk. The method calculates the capital requirement based on 15 percent of the operating income over the past three years. Kommuninvest's capital requirement under Pillar 1 for operational risks amounts to SEK 149.2 (130.3) million.

Reputation risk

Reputation risk is the risk that income from potential and existing customers declines if they lose confidence in the Company due to negative publicity or rumours about the Company or the local government sector in general. Reputation risk is also the risk of increased funding costs if potential or existing investors lose confidence in the Company due to negative publicity or rumours about the Company or the local government sector in general. The Company works preventively with media monitoring and has employees with in-depth knowledge in the area to pre-empt and counter possible rumours about the Company.

Note 2, continued
Residual risk

Residual risk is the risk that established techniques for risk assessment and risk reduction applied by the Company prove to be less effective than expected. The Company deliberately applies relatively simple methods and techniques for measuring risk, capital requirements and risk appetite to reduce the risk of error. The Company conducts both forward-looking and historical analyses of all risk types. The internal capital assessment addresses negative scenarios to ensure that the impact on the Company is not greater than expected.

Capital adequacy – Group

Since January 1, 2014, capital adequacy has been calculated according to CRR¹. The capital buffers to be introduced under CRD IV² first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For the Group, only the capital conservation buffer of 2.5 percent and the countercyclical buffer apply, the size of which is based on the geographical distribution of the credit exposures. On 31 December 2017, the countercyclical buffer requirement was 0.97 percent. The Group is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution. The Group meets the buffer requirements by a good margin. The capital adequacy calculations for credit risk under Pillar 2 have been further developed and are now calculated based on a stressed scenario of expected credit losses according to the same model used to report anticipated credit losses in accordance with IFRS 9. This has meant that the capital requirement for credit risk has increased.

	2017	2016
Participation capital ³	6,102.9	5,419.9
Retained earnings ⁴	543.2	544.7
Accumulated other comprehensive income and other reserves	-0.7	9.3
Core Tier 1 capital before regulatory adjustments	6,645.4	5,973.9
Further value adjustments ⁵	-145.9	-190.0
Total regulatory adjustments to core Tier 1 capital	-145.9	-190.0
Total core Tier 1 capital	6,499.5	5,783.9
Tier 1 capital contributions	-	-
Total Tier 1 capital	6,499.5	5,783.9
Debenture loan ⁶	400.0	600.0
Total Tier 2 capital	400.0	600.0
Total capital	6,899.5	6,383.9

- 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 Kommuninvest Cooperative Society used to buy shares in the subsidiary Kommuninvest i Sverige AB. Using the capital contributions paid in over the year, it is planned that shares will be acquired in 2018. According to CRR, Kommuninvest i Sverige AB 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 Kommuninvest Cooperative Society may not classify participation capital as core Tier 1 capital before shares in the Company have been acquired and Finansinspektionen has given its approval. For a more detailed description of participation capital, see Note 25.
- 4) A deduction has been made for net profit of SEK 1,075.9 (385.8) million and for an additional SEK - (59.5) million.
- 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.
- 6) 30-year debenture loan with three-month variable Stibor-linked interest. The debenture loan is valid as supplementary capital in accordance with the transitional rules in CRR.

Capital requirement, Pillar 1	2017		2016	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	361.2	28.9	2,260.7	180.8
<i>of which, exposures to states and central banks</i>	-	-	70.2	5.6
<i>of which, institutional exposures</i>	299.5	24.0	556.2	44.5
<i>of which, corporate exposures</i>	61.7	4.9	72.8	5.8
<i>of which, exposures in the form of covered bonds</i>	-	-	1,561.5	124.9
Operational risks, basic indicator method	1,865.6	149.2	1,631.3	130.3
Market risks	-	-	-	-
Credit valuation adjustment	754.4	60.4	1,536.1	122.9
Total risk exposure amount and minimum capital amount	2,981.2	238.5	5,428.1	434.0

Capital adequacy ratios	2017	2016
Core Tier 1 capital ratio	218.0 %	106.6 %
Tier 1 capital ratio	218.0 %	106.6 %
Total capital ratio	231.4 %	117.6 %

Buffer requirements	2017	2016
Capital conservation buffer	2.5 %	2.5 %
Countercyclical buffer	1.0 %	1.2 %
Total buffer requirements	3.5 %	3.7 %
Core Tier 1 capital available for use as buffer	210.0 %	100.6 %

Note 2, continued

Internally assessed capital requirement, Pillar 2 ¹	2017	2016
Capital requirement		
Credit risk	128.9	28.9
Market risks	1,468.7	1,505.1
Liquidity risk	-	-
Operational risks	-	-
Business risk	-	-
Reputation risk	-	-
Strategic risks	-	-
Residual risk	-	-
Total capital requirement, Pillar 2	1,597.6	1,534.0

¹⁾ To cover the risk of an excessively low leverage ratio, Finansinspektionen (the Swedish Financial Supervisory Authority) has required that Kommuninvest increase its capital under Pillar 2, meaning that the capital base should amount to at least 1.5 percent of the gross exposure amount.

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 Kommuninvest's internal capital assessment and capital plan, see pages 34–35.

For information to be disclosed under Commission Implementing Regulation No 1423/2013 of 20 December 2013 on technical standards for implementation 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.

Leverage ratio – Group

Leverage ratio is defined as the Tier 1 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 and committed undisbursed loans.

	2017	2016
Total assets	356,971.4	361,729.2
Less asset amounts deducted to determine the core Tier 1 capital	-145.9	-190.0
Less derivatives according to the balance sheet	-8,044.6	-24,449.8
Plus derivatives exposure	2,973.7	16,500.7
Plus possible change in derivatives risk	3,656.7	5,450.9
Plus off-balance sheet commitments	2,155.2	882.7
Total exposure	357,566.5	359,923.7
Tier 1 capital, calculated applying transitional rules, see the section		
Capital adequacy	6,499.5	5,783.9
Leverage ratio	1.82 %	1.60 %

Kommuninvest has a capital plan for achieving the future statutory leverage ratio requirement, see pages 34–35.

Note 3 Net interest

The Group	2017	2016
Interest revenues		
Lending	487.0	603.3
Interest-bearing securities	-36.4	16.8
Other	1.7	1.3
Total	452.3	621.4¹
Of which: interest revenues from financial items not measured at fair value through the income statement	219.4	481.7
Interest expenses		
Liabilities to credit institutions	-2.2	-4.9
Interest-bearing securities	645.4	331.4
Lending, negative lending rate	-161.8	-151.0
Other	-54.9	-35.0
Total	426.5	140.5¹
Of which: interest expenses from financial items not measured at fair value through the income statement ²	-382.0	-332.7
Total net interest income	878.8	761.9

1) In 2017, there has been a change in the presentation of interest rates on treasury holdings, meaning that the component figures for 2016 have been changed in comparison with the 2016 Annual Report. The adjustment amounts to SEK 32.6 million.

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

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. For further information on net interest income for the period, see the Comments on the income statement on page 47.

Kommuninvest Cooperative Society

Interest revenues	2017	2016
Lending to credit institutions	0.0	0.0
Interest income, debenture loan	9.7	12.3
Total	9.7	12.3
Interest expenses		
Liabilities to credit institutions	-0.2	-0.1
Interest expenses, debenture loan	-11.8	-12.3
Other	-0.2	-
Total	-12.2	-12.4
Total net interest income	-2.5	-0.1

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

Note 4 Commission expenses

Group	2017	2016
Payment agency commissions	3.4	0.9
Brokerage for securities	3.7	4.1
Other commissions	0.2	0.2
Total	7.3	5.2

Note 5 Net result of financial transactions

Group	2017	2016
Realised profit	86.3	65.5
<i>of which, interest-bearing securities</i>	<i>89.8</i>	<i>63.4</i>
<i>of which, other financial instruments</i>	<i>-3.5</i>	<i>1.1</i>
Unrealised changes in market value	426.0	-195.5
Exchange rate changes	-0.3	-0.9
Total	512.0	-131.9

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	2017	2016
Financial assets at fair value through the income statement	-730.0	-255.7
Holdings for trading purposes (assets)	45.7	-159.3
Loan receivables and accounts receivable	0.2	3.0
Financial liabilities at fair value through profit or loss	86.8	-358.1
Holdings for trading purposes (liabilities)	1,077.8	668.3
Capital gains/losses on available-for-sale financial assets	35.6	-
Change in fair value of derivatives that are hedging instruments in fair value hedge	-985.5	216.6
Change in fair value on hedged item with regard to hedged risk in fair value hedges	981.7	-245.8
Exchange rate changes	-0.3	-0.9
Total	512.0	-131.9

Results (net)

Net result of available-for-sale financial assets recognised in other comprehensive income	-11.5	56.6
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Note 6 Other operating income

Group	2017	2016
Capital gain on divestments of tangible assets	0.1	0.1
Capital gains on sales of shares	-	1.3
Other operating income	6.1	5.8
Total	6.2	7.2

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

Note 7 General administration expenses

Group		
In SEK, thousands	2017	2016
Payroll expenses		
Salaries and emoluments	70,380	68,058
Social security contributions	38,756	36,618
<i>of which, social security contributions and wage debt for social security contributions</i>	<i>22,066</i>	<i>20,586</i>
<i>of which, pension expenses</i>	<i>13,446</i>	<i>12,907</i>
<i>of which, special payroll tax on pension expenses</i>	<i>3,244</i>	<i>3,125</i>
Temporary/contract personnel	5,401	8,051
Education/training costs	2,913	3,150
Other personnel costs	4,823	5,305
Total personnel expenses	122,273	121,182
Other general administration expenses		
Travel expenses	5,568	6,841
IT expenses	19,094	15,306
Consultancy fees	28,631	24,518
Rating expenses	1,339	936
Market data	9,620	6,981
Rent and other expenses for premises	2,561	3,328
Property expenses	2,025	1,514
Annual Report and interim report	1,196	1,990
Resolution charge	66,307	31,635
Other expenses	14,395	18,838
Total other general administration expenses	150,736	111,887
Total	273,009	233,069
Kommuninvest Cooperative Society	2017	2016
Salaries and emoluments, incl. social security contributions	2,312	2,342
Other expenses	14,308	10,526
Total	16,620	12,868

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 2017. 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 10 (9) members, including the employee representatives, of whom 5 (4) were women. Ellen Bramness Arvidsson is the Chairman of the Board.

Up until the 2017 Annual General Meeting, the fees to the Board of Directors consisted of a fixed fee of TSEK 550 to the Chairman. The other members of the Board are paid a fixed fee of TSEK 300 each. No fees were paid to employee representatives. The 2017 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	2017	2016
Ellen Bramness Arvidsson	550	550
Anna von Knorring	300	300
Kurt Eliasson	300	300
Johan Törngren	300	300
Erik Langby	300	300
Anna Sandborgh	300	300
Lars Heikensten, newly elected in April 2016	300	208
Åsa Zetterberg, newly elected in April 2017	208	-
Nedim Murtic, employee representative	-	-
Ulrika Gonzalez Hedqvist employee, representative	-	-
Total	2,558	2,258

Remuneration to the senior executives of Kommuninvest i Sverige AB

Remuneration for the President and CEO has been decided by the Board. For 2017, the President and CEO received TSEK 3,123 (3,181) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 964 (952) 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 for the Deputy CEO has been decided by the Board. The Deputy CEO received TSEK 2,069 (2,036) in basic salary for 2017. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 617 (462) 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 5 (4) people, of whom 2 (3) were women and 3 (1) were men. In the preceding year, no one stepped down from the Executive Management Team. In 2017, 1 person resigned from the Executive Management Team and two people took office, of whom both were men.

Remuneration to other senior executives in Company management has been determined by the Board. During 2017, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 4,699 (3,012). Pension expenses are covered by insurance.

In accordance with the work plan for the Board of Directors established in 2017, 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.

Note 7, continued
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 8 (7) were women, and 15 (15) deputies, of whom 5 (5) 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. During the year, 2 (-) members stepped down and 2 persons were elected, of whom 2 were women. During the year, 3 (-) deputies also stepped down and 3 persons were appointed, of whom 2 were men and 1 was a woman.

The Annual General Meeting also approved changed fees for 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 mean that the Chairman receives a fixed fee of TSEK 287 (281) and the Vice Chairman a fixed fee of SEK 191,000 (187,000).

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 TSEK 106 (104). 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 TSEK 7,7 (7,5) and a variable fee of TSEK 4,5 (4,4) per meeting. Deputy board members receive a variable fee of TSEK 4,5 (4,4) per meeting. For telephone meetings, all members receive remuneration of TSEK 2,2 (2,2) per meeting in variable compensation.

Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, in SEK, thousands	2017	2016
Anna-Britta Åkerlind	26.8	34.9
Ann-Marie Johansson, newly elected in April 2017	18.0	-
Bo Rudolfsson	31.4	21.7
Britta Flinkfeldt Jansson	23.1	17.3
Camilla Egberth	35.8	30.5
Carina Sändor	34.5	29.2
Catharina Winberg	22.4	30.6
Christina Johansson	35.8	26.3
Daniel Edström, newly elected in 2017	27.0	-
Ewa-May Karlsson	105.1	102.5
Fredrik Larsson	38.9	33.5
Gert Ove Thörnros	26.8	13.1
Göran Färm	288.0 ¹	274.6 ¹
Hans Lindberg, newly elected in April 2017	31.5	-
Jonas Ransgård	30.1	29.3
Lennart Holmlund, departed in April 2017	4.4	26.3
Lilly Bäcklund	43.5	37.9
Linda Frohm	190.0 ¹	185.1 ¹
Lotta Öhlund	25.5	29.3
Margreth Johnsson	105.1	102.5
Marie-Louise Forsberg-Fransson, departed in April 2017	6.9	37.9
Mohamad Hassan	22.5	21.8
Niklas Karlsson	43.5	33.5
Niclas Nilsson	34.5	42.3
Patrik Jönsson, departed in April 2017	11.3	24.9
Peter Hemlin	13.5	26.1
Peter Kärnström	35.8	34.9
Pierre Sjöström	44.8	30.6
Robert Mörk, departed in April 2017	-	4.3
Roger Persson	31.3	34.9
Roland Åkesson	43.5	42.3
Therese Borg, newly elected in April 2017	32.1	-
Ulf Olsson	26.9	34.9
Örjan Mossberg	43.5	42.3
Total	1,533.8	1,435.3

¹⁾ The amounts refer to remuneration in the each financial year, meaning the amounts are not comparable to the actual amounts decided at the Meeting, as is stated in the section Remuneration to the Board of Directors of the Kommuninvest Cooperative Society.

Wages and remunerations Wages and remunerations to senior executives

2017, in SEK, thousands	Basic salary/ Board fee	Other benefits	Pension expense	Total
Board of Directors	2,558	-	-	2,558
President and CEO	3,123	84	964	4,171
Deputy CEO	2,069	-	617	2,686
Others in Company management ¹	4,699	18	1,386	6,103
Other salaried employees	56,086	-	10,479	66,565
Total	68,535	102	13,446	82,083

2016, in SEK, thousands	Basic salary/ Board fee	Other benefits	Pension expense	Total
Board of Directors	2,258	-	-	2,258
President and CEO	3,181	90	952	4,223
Deputy CEO	2,036	-	462	2,498
Others in Company management ¹	3,012	9	887	3,908
Other salaried employees	55,728	-	10,606	66,334
Total	66,215	99	12,907	79,221

¹⁾ Salaries and remuneration to other members of Company management have been affected by the fact that senior executives who previously served as external consultants are now employed by the Company and that the Executive Management Team has been extended by one person.

Note 7, continued

Group

Average number of employees	2017	2016
Average number of employees during the year	91	85
of whom women	35	32

The Society has no employees.

Group

Emoluments and expenses for the auditors, in SEK, thousands, KPMG AB	2017	2016
Auditing engagement	1,397	773
Other audit services	983	2,410
Tax consultancy	-	15
Other Services	141	25

Emoluments and costs for the auditors, in SEK, thousands, Ernst & Young AB	2017	2016
Auditing engagement	-	97
Other audit services	-	354
Tax consultancy	-	43
Other Services	-	152

Kommuninvest Cooperative Society

Emoluments and compensation for expenses for the auditors, in SEK, thousands, KPMG AB	2017	2016
Auditing engagement	16	64
Other audit services	-	50
Tax consultancy	-	-
Other Services	126	-

Emoluments and expenses for the auditors, in SEK, thousands, Ernst & Young AB	2017	2016
Auditing engagement	-	25
Other audit services	-	-
Tax consultancy	-	-
Other Services	-	-

At the 2016 Annual General Meeting of the Company, KPMG AB was appointed as the firm of auditors for the period until the end of the 2020 Annual General Meeting and, at the same time, Ernst & Young AB stepped down.

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 than the client. Other services refers to those not included in any of the above.

Operating leasing

Over the year, expenses for operating leases amounted to TSEK 2,455 (3,178). The decrease in expenses in 2017 is attributable to the early repayment of contracts for technical equipment in the preceding year.

Future lease payments for non-cancellable operating leases, and how these are distributed over the years, are shown in the table below.

Non-cancellable operating leases where the Kommuninvest Group is the lessor	2017	2016
Within one year	2,005	1,673
Between one and five years	9,001	4,655
Total	11,006	6,328

Note 8 Other operating expenses

Group	2017	2016
Insurance expenses	0.9	0.9
Communication and information	2.5	4.0
Other operating expenses	0.1	0.1
Total	3.5	5.0

Note 9 Taxes

Group

Recognised in income statement	2017	2016
Current tax expense	0.3	0.7
Deferred tax expense (+)/tax income (-), attributable to temporary differences	27.9	-0.2
Adjustment of taxes attributable to previous years	-0.2	-0.1
Total tax expense recognised	28.0	0.4

Reconciliation of effective tax	2017 %	2017	2016 %	2016
Profit/loss before tax		1,103.9		386.2
Tax according to prevailing tax rate	22.0%	242.9	22.0%	85.0
Tax effect of deductible distribution	-19.4 %	-213.3	-25.4 %	-98.0
Tax effect of dividend in excess of net profit	-0.2 %	-2.5	3.2 %	12.5
Non-deductible expenses/Non-taxable revenues	0.1 %	1.1	0.3 %	1.2
Reassessment of deferred tax	-	-	-0.0%	-0.2
Tax attributable to previous years	-0.0%	-0.2	-0.0%	-0.1
Recognised effective tax	2.5%	28.0	0.1 %	0.4

Tax expense attributable to other comprehensive income	2017	2016
Available-for-sale financial assets	-	-
Other comprehensive income	-	-

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	
	2017	2016
Tax assets, opening balance	28.5	28.3
Unrealised changes in market value	-28.1	-
<i>of which, recognised in the income statement</i>	-28.1	-
<i>of which, recognised in other comprehensive income</i>	-	-
Income tax adjustment	0.2	0.2
Tax assets, closing balance	0.6	28.5

Kommuninvest Cooperative Society

Recognised in income statement	2017	2016
Tax expense for the year	0.0	0.3
Adjustment of taxes attributable to previous years	0.1	-
Total tax expense recognised	0.1	0.3

Reconciliation of effective tax	2017 %	2017	2016 %	2016
Profit/loss before tax		974.9		445.7
Tax according to prevailing tax rate	22.0%	214.4	22.0%	98.0
Tax effect of deductible distribution	-21.9 %	-213.3	-22.0 %	-98.0
Non-deductible expenses/ Non-taxable revenues	-0.1 %	-1.1	0.1 %	0.3
Tax attributable to previous years	0.0 %	0.1	-	-
Recognised effective tax	0.0 %	0.1	0.1 %	0.3

Note 10 Appropriation of surplus

The Board of Directors of the Kommuninvest Cooperative Society proposes that:	2017
The profit of SEK 975.1 million at the disposal of the Annual General Meeting of the Society to be appropriated as follows:	
Interest of 1.5 percent on contributions be paid to members	95.9
Refunds be distributed to members in proportion to each member's share of the total business volume in 2017	873.9
To be carried forward	5.3
Total appropriated	975.1

For more information, see page 43.

Note 11 Sovereign bonds eligible as collateral

Group	2017			2016		
	Cost	Fair value	Recognised value	Cost	Fair value	Recognised value
Sovereign bonds eligible as collateral						
- Swedish central government	21,178.5	21,221.4	21,221.4	6,673.5	6,691.5	6,691.5
- Swedish municipalities	-	-	-	7,507.2	7,516.4	7,516.4
- Foreign governments	3,435.3	3,414.4	3,414.4	2,729.6	2,756.5	2,756.5
Total	24,613.8	24,635.8	24,635.8	16,910.3	16,964.4	16,964.4
Positive difference of book values exceeding nominal values			332.7			207.5
Negative difference of book values falling below nominal values			-17.2			-18.1
Total			315.5			189.4

According to the Company's new Financial Instructions, adopted by the Company's CEO in 2017, the average maturity of the Company's liquidity reserve is limited to one year. In 2017, this resulted in the divestment of investments with longer

maturities. The Company has also divested all holdings of securities issued by Swedish mortgage finance institutions and Swedish municipalities, while it has increased its holdings of securities issued by the Swedish central government.

Note 12 Lending to credit institutions

Kommuninvest Cooperative Society	2017	2016
Lending in SEK	36.3	17.8
Total	36.3	17.8

Note 13 Lending

Group	2017			2016		
	Cost	Fair value	Recognised value	Cost	Fair value	Recognised value
Lending						
- Municipalities and county councils/ regions	127,965.0	129,043.8	128,905.1	112,858.5	114,127.5	114,117.8
- Housing companies with municipal guarantees	116,225.7	116,922.7	116,828.9	103,440.6	104,291.3	104,292.5
- Other companies with municipal guarantees	63,851.6	64,472.1	64,413.3	57,739.9	58,584.1	58,571.8
Total	308,042.3	310,438.6	310,147.3	274,039.0	277,002.9	276,982.1

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 2017.

Note 14 Bonds and other interest-bearing securities

Group	2017			2016		
	Cost	Fair value	Recognised value	Cost	Fair value	Recognised value
Bonds and other interest-bearing securities						
- Swedish mortgage finance institutions	-	-	-	15,528.0	15,614.9	15,614.9
- Other foreign issuers	12,595.7	12,500.0	12,500.0	26,541.1	26,389.0	26,389.0
Total	12,595.7	12,500.0	12,500.0	42,069.1	42,003.9	42,003.9
Positive difference of book values exceeding nominal values			163.7			1,380.2
Negative difference of book values falling below nominal values			-32.9			-53.2
Total			130.8			1,327.0

According to the Company's new Financial Instructions, adopted by the Company's CEO in 2017, the average maturity of the Company's liquidity reserve is limited to one year. In 2017, this resulted in the divestment of investments with longer

maturities. The Company has also divested all holdings of securities issued by Swedish mortgage finance institutions and Swedish municipalities, while it has increased its holdings of securities issued by the Swedish central government.

Note 15 Shares and participations

Group	2017	2016
Endowment insurance	-	3.3
Total shares and participations	-	3.3

The pension undertaking that had been invested in an endowment insurance policy was discontinued in 2017 to be secured by a pension scheme. For further information, see Note 1 on page 61.

Note 16 Shares and participations in subsidiaries

Kommuninvest Cooperative Society	2017		2016	
	Recognised value	Number of shares	Recognised value	Number of shares
Companies				
Kommuninvest i Sverige AB, 556281-4409	7,100.0	70,999,720	6,093.5	61,000,000
Total	7,100.0	70,999,720	6,093.5	61,000,000

The value has increased due to a new share issue.

Note 17 Derivatives

Group	2017			2016		
	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	176.4	-1,297.7	190,343.8	411.4	-3,451.2	187,931.5
Currency-related	3,288.3	-5,742.7	160,428.4	16,415.5	-4,659.6	155,217.6
Other ¹	66.5	-	976.3	141.7	-74.4	4,627.4
Total	3,531.2	-7,040.4	351,748.5	16,968.6	-8,185.2	347,776.5
<i>Derivatives included in hedge accounting</i>						
Interest rate-related	4,240.3	-677.1	232,991.8	7,044.1	-1,031.1	180,469.8
Currency-related	273.1	-76.4	3,656.0	437.1	-174.2	4,857.6
Total	4,513.4	-753.5	236,647.8	7,481.2	-1,205.3	185,327.4
Total derivative contracts	8,044.6	-7,793.9	588,396.3	24,449.8	-9,390.5	533,103.9

1) 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 18 Intangible assets

Group	2017	2016
<i>Acquisition value</i>		
Acquisition value brought forward	22.0	20.1
Investments for the year	2.3	1.9
Disposals and scrappings	-	-
Acquisition value carried forward	24.3	22.0
<i>Depreciation</i>		
Opening balance, depreciation	-8.6	-4.4
Depreciation for the year	-4.8	-4.2
Disposals and scrappings	-	-
Depreciation carried forward	-13.4	-8.6
Planned residual value at the end of the accounting period	10.9	13.4

Intangible assets refers to business systems.

Note 19 Tangible assets

Group	2017	2016
Equipment		
Acquisition value brought forward	32.2	27.7
Investments for the year	2.5	5.0
Disposals and scrappings	-11.0	-0.5
Acquisition value carried forward	23.7	32.2
Opening balance, depreciation	-24.4	-22.8
Depreciation for the year	-2.7	-2.0
Disposals and scrappings	10.8	0.4
Depreciation carried forward	-16.3	-24.4
Carrying amounts	7.4	7.8
Land and building		
Acquisition value brought forward	51.3	50.0
Investments for the year	0.6	1.3
Disposals and scrappings	-	-
Acquisition value carried forward	51.9	51.3
Opening balance, depreciation	-19.1	-17.6
Depreciation for the year	-1.7	-1.5
Disposals and scrappings	-	-
Depreciation carried forward	-20.8	-19.1
Recognised value	31.1	32.2
Tax assessment values		
Tax assessment value of Fenix 1 property	34.0	34.0
<i>Of which, land (in Sweden)</i>	<i>8.0</i>	<i>8.0</i>

Equipment mainly includes IT and office equipment for SEK 6.8 (7.2) million and artwork for SEK 0.6 (0.6) million.

Note 20 Receivables from subsidiaries

Kommuninvest Cooperative Society	2017	2016
Group contributions for the year	987.5	458.7
Trade and other receivables	0.0	0.0
Other receivables	764.8	332.2
Total	1,752.3	790.9

Other receivables refer to member contributions in 2017, 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 21 Other assets

Group	2017	2016
Marginal collateral pledged	793.0	-
Other assets	9.4	2.3
Total	802.4	2.3

In 2016, Kommuninvest began pledging collateral for derivatives cleared by central clearing counterparties, with the net collateral for each counterparty and currency being recognised in the balance sheet, see further under Note 31. In 2017, the Company also began to pledge cash collateral for derivatives not cleared by central clearing counterparties and for which there is no right of settlement applies and which therefore are included in full in the balance sheet.

The increase in other assets in relation to the preceding year is attributable to an increase in open items.

Note 22 Other liabilities

Group	2017	2016
Marginal collateral received	654.8	-
Other liabilities	16.2	20.7
Total	671.0	20.7

In 2016, Kommuninvest began receiving collateral for derivatives cleared by central clearing counterparties, with the net collateral for each counterparty and currency being recognised in the balance sheet, see further under Note 31. In 2017, the Company also began to receive cash collateral for derivatives not cleared by central clearing counterparties and for which there is no right of settlement applies and which therefore are included in full in the balance sheet.

Kommuninvest Cooperative Society	2017	2016
Other liabilities	0.3	0.4
Tax liabilities	0.4	7.9
Accounts payable, trade	0.4	0.4
Total	1.1	8.7

Note 23 Provisions for pensions and similar commitments

Group	2017	2016
Provisions for pensions obligations	-	4.1
Total	-	4.1

The pension undertaking that had been invested in an endowment insurance policy was discontinued in 2017 to be secured by a pension scheme. For further information, see Note 1 on page 61.

Note 24 Subordinated liabilities

Kommuninvest Cooperative Society					Recognised value	
	Currency	Nominal	Interest rate (%)	Due date	2017	2016
Debenture loan	SEK	1,000.0	Variable	30 November 2040	1000.1	1,000.0
Total		1,000.0			1000.1	1,000.0

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 25 Equity in the Kommuninvest Cooperative Society

In the Group's share capital, the Kommuninvest Cooperative Society has classified SEK 6,770.6 (6,307.5) million as equity, of which SEK 22.8 (22.8) million relates to excess contributions, that is, the part of the capital 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 2017, 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 counter-claims from the Society and any claims from the Society's companies.

As per the closing date, SEK - (-) million in excess contributions had been cancelled, to be repaid in 2018.

Note 26 Consolidated equity

SEK, million	Restricted equity			Unrestricted equity			Total equity
	Subscribed capital	Development expenditure reserve ¹	Statutory reserve ²	Fair value reserve ³	Profit or loss brought forward	Net income	
Equity brought forward 1 January 2016	5,424.1	-	138.0	-48.9	278.6	689.9	6,481.7
Profit for the year						385.8	385.8
Development expenditure reserve for the year		1.6			-1.6		0.0
Other comprehensive income				56.6			56.6
Total comprehensive income	-	1.6	-	56.6	-1.6	385.8	442.4
Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society							
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 excess contribution capital ⁴	-4.2						-4.2
Equity carried forward 31 December 2016	6,307.5	1.6	164.4	7.7	439.8	385.8	7,306.8
Equity brought forward 1 January 2017	6,307.5	1.6	164.4	7.7	439.8	385.8	7,306.8
Profit for the year						1,075.9	1,075.9
Development expenditure reserve for the year		1.5			-1.5		0.0
Other comprehensive income				-11.5			-11.5
Total comprehensive income	-	1.5	-	-11.5	-1.5	1,075.9	1,064.4
Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society							
Profit for the preceding year					385.8	-385.8	0.0
Distribution of surplus as refunds and interest					-445.3		-445.3
Allocated to statutory reserve							-
<i>New subscribed capital during the year</i>							
Participation capital from new members of the Society	40.7						40.7
Contributions from existing members	422.4						422.7
Disbursement of excess contribution capital ⁴							-
Equity carried forward 31 December 2017	6,770.6	3.1	164.4	-3.8	378.8	1,075.9	8,389.0

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

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

4) 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 25.

Note 27 Pledged assets, contingent liabilities and commitments – Group

Pledged assets	2017	2016
<i>In the form of assets pledged for own provisions and liabilities</i>		
Endowment insurance for pension obligations	-	3.3
Deposited at the Riksbank		
- Government bonds	3,690.4	-
- Securities issued by Swedish municipalities and county councils/regions	-	2,121.8
- Swedish covered bonds	-	13,147.2
Collateral pledged for derivative liabilities		
- Government bonds	30.6	170.9
Marginal collateral pledged to a central clearing counterpart		
- Government bonds	230.0	316.2
Assets pledged, total	3,951.0	15,759.4
Contingent liabilities	None	None
Committed undisbursed loans	2,476.2	4,535.7
Committed loans	1,834.3	1,765.4

The recognised value of liabilities and provisions involving pledges amounted to SEK 1,407.0 (558.8) 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. The difference is due to the reduced liquidity reserve, in terms of volume, over the year and the distribution between issuer categories.

The pension undertaking that had been invested in an endowment insurance policy was discontinued in 2017 to be replaced by a pension scheme. For further information, see Note 1 on page 61.

Note 28 Related parties

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/ services to related parties		Purchase of goods/services from related parties		Receivables from related parties on 31 December	Liabilities to related parties on 31 December
					Other (interest)		
Kommuninvest i Sverige AB	2017	118	5,990	9,652	1,752,320	-	
	2016	106	3,505	12,269	1,790,955	6	
Sandahl Partners Örebro AB	2017	-	-	-	-	-	
	2016	-	155	-	-	-	
Malin Norbäck Consulting AB	2017	-	705	-	-	-	
	2016	-	2,007	-	169	355	

The Society's close relationship with Kommuninvest i Sverige AB includes a claim on the subsidiary relating to Group 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 Partners 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 i Sverige AB. Sandahl

Partners Örebro AB provided this service during the period from September 2015 to January 2016. From February 2016 to May 2017, Malin Norbäck Consulting AB provided this service. 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, see Note 7.

Note 29 Events after the balance sheet date

On 8 January 2018, Nasdaq announced that Kommuninvest i Sverige AB's Swedish benchmark bonds will be included in Nasdaq's broadest bond index, OMRXALL, effective from 12 March 2018. This index is used as a comparison index for a large proportion of asset management in the Swedish fixed-income market.

Note 30 Financial assets and liabilities – Group

2017	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	12,998.3	-	-	-
Lending to credit institutions	-	-	698.5	-
Lending	72,929.9	-	237,217.4	-
Bonds and other interest-bearing securities	11,677.3	-	-	-
Derivatives	-	3,531.2	-	-
Other assets	-	-	799.5	-
Total	97,605.5	3,531.2	238,715.4	-
Liabilities to credit institutions ¹	-	-	-	-
Securities issued ¹	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

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	-
Total	137,682.9	16,968.6	182,534.2	-
Liabilities to credit institutions ¹	-	-	-	-
Securities issued ¹	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

¹ Nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 334,023.3 (278,543.1) million.

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

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

Calculation of fair value

General

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

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

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

Level 3: Valuation is made on the basis of non-observable market data, with significant elements of internal and external estimates.

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
11,637.5	-	-	-	-	24,635.8	24,635.8
-	-	-	-	-	698.5	698.5
-	-	-	-	-	310,147.3	310,438.6
822.7	-	-	-	-	12,500.0	12,500.0
-	-	-	-	4,513.4	8,044.6	8,044.6
-	-	-	-	-	799.5	799.5
12,460.2	-	-	-	4,513.4	356,825.7	357,117.0
-	1,312.7	-	5.7	-	1,318.4	1,318.4
-	116,878.6	-	220,877.2	-	337,755.8	339,396.6
-	-	7,040.4	-	753.5	7,793.9	7,793.9
-	-	-	663.9	-	663.9	663.9
-	-	-	-	-	-	-
-	118,191.3	7,040.4	221,546.8	753.5	347,532.0	349,172.8

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading 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
16,886.5	-	-	-	7,481.2	361,553.4	361,574.2
-	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
-	147,081.1	8,184.5	197,907.7	1,206.0	354,379.3	355,851.4

The majority of the 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.

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.

Note 30, continued

Liabilities to credit institutions, securities issued and subordinated liabilities

Funding is 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 funding and for the market by using secondary market spreads on similar instruments issued by Kommuninvest or similar issuers. For funding in currencies other than SEK, EUR and USD, the current funding margin is set as the funding margin in USD plus the currency basis spread between the currency concerned and USD. Market prices used for valuation are mid-prices. Funding expected to be traded in an active market are classified in level 1. Funding valued at quoted prices, not deemed as traded in an active market, are classified in level 2. Funding valued based on discounted future cash flows are classified in level 2, with the exception of funding 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 pledged/received cash collateral, accounts receivable and payable, open items, as well as Group-internal receivables and debts.

Significant assumptions and uncertainty factors

Kommuninvest has applied the valuation techniques best deemed to reflect the value of the Company's assets and liabilities. Changes in underlying market data could mean changes to the income statement and balance sheet in respect of unrealised market values. The valuation curves are also determined on the basis of current borrowing and lending margins, increased margins on lending leading to unrealised losses when the value of existing business is reduced. Kommuninvest has only a marginal exposure to swap rates and, since it hedges other market risks, it is changes in borrowing 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 158 (207) million. An increase in the borrowing cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 188 (259) 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 +/-30 (+/- 52) 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 +/-6 (+/-17) million.

All of the above changes refer to 31 December 2017 (comparative figures refer to 31 December 2016) and exclude 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 3.6 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 – 7.6 years. This would have an effect on net profit in the interval SEK -3.1 million – SEK +1.1 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 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.

Note 30, continued

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

The valuation models have remained unchanged since 31 December 2016. For more information regarding previous changes, see Note 33 in Kommuninvest's 2016 Annual Report.

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 40.2 (1,491.2) million were transferred to level 1 from level 2, while SEK – (5,168.3) million was transferred to level 2 from level 1. Finan-

cial liabilities of SEK 5,407.9 (61,605.2) million were transferred to level 1 from level 2, while SEK 5,707.3 (-) million was transferred to level 2 from level 1. The movements are attributable variations in the indicator Kommuninvest uses to draw the boundary between level 1 and level 2. The indicator weighs up the number of observations and their standard deviation for bond prices. The transfers are considered to have taken place on 31 December 2017 and 31 December 2016 for the preceding period.

Approval of valuation models

The valuation models applied are approved by the CFO and reported to the 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

2017	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	8,607.2	16,028.6	-	24,635.8
Lending	-	72,929.9	-	72,929.9
Bonds and other interest-bearing securities	12,500.0	-	-	12,500.0
Derivatives	-	7,906.2	138.4	8,044.6
Total	21,107.2	96,864.7	138.4	118,110.3
Liabilities to credit institutions	-	1,312.7	-	1,312.7
Securities issued	97,176.5	18,376.8	1,325.3	116,878.6
Derivatives	0.0	7,730.7	63.2	7,793.9
Total	97,176.5	27,420.2	1,388.5	125,985.2
2016	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	7,370.4	9,594.0	-	16,964.4
Lending	-	95,601.1	-	95,601.1
Bonds and other interest-bearing securities	32,324.4	9,679.5	-	42,003.9
Derivatives	-	24,227.2	222.6	24,449.8
Total	39,694.8	139,101.8	222.6	179,019.2
Liabilities to credit institutions	-	2,394.4	-	2,394.4
Securities issued	100,634.1	37,799.1	6,253.5	144,686.7
Derivatives	0.0	9,202.3	188.2	9,390.5
Total	100,634.1	49,395.8	6,441.7	156,471.6

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.

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Note 30, continued

	Bonds and interest-bearing securities	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2016	-	296.2	-1,474.7	-	-3,913.7	-5,092.2
Recognised gains and losses:						
- recognised in the income statement (net result of financial transactions)	-	-73.5	1,286.5	-	-1,210.9	2.1
Cost, acquisitions					-2,428.4	-2,428.4
Maturing during the year					1,299.5	1,299.5
Closing balance, 31 December 2016	-	222.7	-188.2	-	-6,253.5	-6,219.0

Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2016

	-	442.6	188.8	-	-629.8	1.6
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Opening balance, 1 January 2017		222.7	-188.2	-	-6,253.5	-6,219.0
Recognised gains and losses:						
- recognised in the income statement (net result of financial transactions)	-	-84.3	125.0	-	-34.3	6.4
Cost, acquisitions	-	-	-	-	-3,177.8	-3,177.8
Maturing during the year	-	-	-	-	8,140.3	8,140.3
Closing balance, 31 December 2017	-	138.4	-63.2	-	-1,325.3	-1,250.1
Gains and losses recognised in profit/loss (net result of financial transactions) for assets included in the closing balance as per 31 December 2016						
	-	3.3	1.6	-	-4.6	0.3

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

Financial instruments not measured at fair value in the balance sheet

2017	Level 1	Level 2	Level 3	Total	Recognised value
Lending to credit institutions	-	698.5	-	698.5	698.5
Lending	-	237,508.7	-	237,508.7	237,217.4
Other assets	-	799.5	-	799.5	799.5
Total	-	239,006.7	-	239,006.7	238,715.4
Liabilities to credit institutions	-	5.7	-	5.7	5.7
Securities issued	125,895.2	96,622.8	-	222,518.0	220,877.2
Other liabilities	-	663.9	-	663.9	663.9
Subordinated liabilities	-	-	-	0.0	-
Total	125,895.2	97,292.4	-	223,187.6	221,546.8

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
Total	-	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
Total	88,051.9	111,327.9	-	199,379.8	197,907.7

Note 31 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, which occurs for Kommuninvest's derivative assets and liabilities towards central counterparties for clearing.

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

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

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

31 December 2017	Financial assets and liabilities, gross amounts	Amounts offset in the balance sheet ¹	Net amount reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets							
Derivatives	8,621.0	-576.4	8,044.6	-5,070.9	-2,055.6	-572.4	345.7
Repos ²	-	-	-	-	-	-	-
Liabilities							
Derivatives	-8,761.2	967.3	-7,793.9	5,070.9	1,026.6	750.4	-946.0
Total	-140.2	390.9	250.7	0.0	-1,029.0	178.0	-600.3

31 December 2016	Financial assets and liabilities, gross amounts	Amounts offset in the balance sheet ¹	Net amount reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets							
Derivatives	24,565.2	-115.4	24,449.8	-7,949.1	-15,623.0	-	877.7
Repos ²	-	-	-	-	-	-	-
Liabilities							
Derivatives	-9,866.7	476.2	-9,390.5	7,949.1	170.9	-	-1,270.5
Total	14,698.5	360.8	15,059.3	0.0	-15,452.1	-	-392.8

1) The amount offset for derivative liabilities includes cash collateral of SEK 390 million as per 31 December 2017 and SEK 360 million as per 31 December 2016.

2) Repos are included in Lending to credit institutions.

Five-year summary – Group

Key ratios 2013-2017, SEK, million	2017	2016	2015	2014	2013
Equity					
Core Tier 1 capital ratio (%)	218.0	106.6	46.2	35.6	37.6
Tier 1 capital ratio (%)	218.0	106.6	46.2	35.6	37.6
Total capital ratio (%)	231.4	117.6	56.9	47.4	56.4
Leverage ratio according to CRR (%)	1.82	1.60	0.90	0.79	0.58
Net profit	2017	2016	2015	2014	2013
Operating profit excluding the effect of unrealised changes in market value	677.9	581.7	534.5	655.8	732.0
Operating expenses, excluding the resolution charge/stability fee, as % of lending	0.071	0.077	0.072	0.082	0.074
Operating expenses, excluding the resolution charge/stability fee, as % of the balance sheet total	0.061	0.059	0.054	0.059	0.056
Return on assets (%)	0.301	0.107	0.203	0.230	0.269
Cost/income ratio	0.323	0.320	0.379	0.320	0.262
Other information					
Number of employees at the end of the year	96	91	85	77	70
Income statement 1 January – 31 December, SEK, million	2017	2016	2015	2014	2013
Net interest income	878.7	761.9	798.3	914.9	968.9
Commission expenses	-7.3	-5.2	-5.3	-5.1	-5.6
Net result of financial transactions	512.0	-131.9	165.7	101.9	38.7
Other operating income	6.2	7.2	4.5	3.3	1.9
Total operating income	1,389.6	632.0	963.2	1,015.0	1,003.9
Total operating expenses	-285.7	-245.8	-304.5	-293.8	-254.3
Operating profit	1,103.9	386.2	658.7	721.2	749.6
Tax	-28.0	-0.4	31.2	-2.6	-3.8
Profit for the year	1,075.9	385.8	689.9	718.6	745.8
Balance sheet summary as at 31 December, SEK million	2017	2016	2015	2014	2013
Sovereign bonds eligible as collateral	24,635.8	16,964.4	16,839.4	15,204.1	14,626.2
Lending to credit institutions	698.5	1,150.8	717.3	4,070.2	2,832.5
Lending	310,147.3	276,982.1	254,421.7	222,803.7	208,644.0
Bonds and other interest-bearing securities	12,500.0	42,003.9	45,688.4	45,974.5	44,932.9
Derivatives	8,044.6	24,449.8	22,775.6	23,848.8	6,235.8
Other assets	945.2	178.2	173.4	190.7	191.3
Total assets	356,971.4	361,729.2	340,615.8	312,092.0	277,462.7
Liabilities to credit institutions	1,318.4	2,396.1	2,303.5	4,823.6	4,375.0
Securities issued	337,755.8	341,579.4	318,943.6	292,318.0	256,258.7
Derivatives	7,793.9	9,390.5	11,723.1	10,628.3	13,231.8
Other liabilities	714.2	56.4	163.9	160.6	149.4
Subordinated liabilities	1,000.1	1,000.0	1,000.0	1,000.1	1,000.1
Total liabilities and provisions	348,582.4	354,422.4	334,134.1	308,930.6	275,015.0
Equity	8,389.0	7,306.8	6,481.7	3,161.4	2,447.6
Total liabilities, provisions and equity	356,971.4	361,729.2	340,615.8	312,092.0	277,462.6

Alternative performance measurements

In this Annual Report, the Group has chosen to present a number of alternative performance measurements that are not defined or specified in the applicable rules on financial report-

ing. These alternative performance measurements have been defined in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

Alternative performance measurements	Definition	Reconciliation	2017	2016
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	1,103.9	386.2
		Result of unrealised changes in market value	426.0	-195.5
		Operating profit excluding the effect of unrealised changes in market value	677.9	581.7
Operating expenses, excluding the resolution charge/stability fee, as % of lending	Total operating expenses over the financial year, excluding the resolution charge/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 charge/stability fee.	General administration expenses	-273.0	-233.1
		Depreciation	-9.2	-7.7
		Other operating expenses	-3.5	-5.0
		Total operating expenses	-285.7	-245.8
		Resolution charge/stability fee	-66.3	-31.4
		Total operating expenses excluding resolution charge/stability fee	-2,119.4	-214.4
		Lending as per the closing date	310,147.3	276,982.1
		Operating expenses, excluding the resolution charge/stability fee, as % of lending	0.071	0.077
Operating expenses, excluding the resolution charge/stability fee, as % of balance sheet total	Total operating expenses over the financial year, excluding the resolution charge/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 charge/stability fee.	General administration expenses	-273.0	-233.1
		Depreciation	-9.2	-7.7
		Other operating expenses	-3.5	-5.0
		Total operating expenses	-285.7	-245.8
		Resolution charge/stability fee	-66.3	-31.4
		Total operating expenses excluding resolution charge/stability fee	-219.4	-214.4
		Total assets as per the closing date	356,971.4	361,729.2
		Operating expenses, excluding the resolution charge/stability fee, as % of balance sheet total	0.061	0.059
Return on assets (%)	Profit for the year in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.	Profit for the year	1,075.9	385.8
		Total assets	356,971.4	361,729.2
		Return on assets (%)	0.301	0.107
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.	Total operating expenses	-285.7	-245.8
		Net interest income	878.7	761.9
		Other operating income	6.2	7.2
		Total interest income and other income	884.9	769.1
		Cost/income ratio	0.323	0.320

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 14 March 2018. 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 26 April 2018.

Stockholm, 14 March 2018

Göran Färm
Chairman

Linda Frohm
Vice Chairman

Britta Flinkfeldt
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

Therese Borg
Board Member

Tomas Werngren
President and CEO

Our Audit Report was submitted on 19 March 2018

KPMG AB

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 2017. The Society's annual and consolidated accounts are included on pages 23-96 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 Society as of 31 December 2017 and its financial performance and 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 2017 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 for 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 those standards are further described in the Auditor's Responsibilities section. 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 opinions.

Information other than the annual and consolidated accounts

This document also contains information other than the annual and consolidated and this is presented on pages 3-21 and 101-103. 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 procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the 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 the Annual Accounts Act for Credit Institutions and Securities Companies and, for the consolidated accounts, 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 and the Group's ability to continue operating. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. 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 judgment and maintain professional scepticism throughout the audit. We also:

- 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 2017 and the proposed appropriations of the Society's profit or loss.

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

Basis for statements

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of 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 opinions.

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 shareholders' 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.

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the Society, or
- 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 judgment 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 judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the 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, 19 March 2018

KPMG AB

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 2017.

The Board of Directors is 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, 19 March 2018

Barbro Hassel

Cecilia Löfgreen

Members of the Kommuninvest Cooperative Society

Name of member	Population			Name of member	Population		
	Member No.	31 December 2017	Member year		Member No.	31 December 2017	Member year
Municipality of Gävle	1	100,603	1993	Sörmland County Council	49	291,341	1994
Municipality of Umeå	2	125,080	1993	Municipality of Katrineholm	50	34,133	1994
City of Trollhättan	3	58,238	1993	Municipality of Vadstena	51	7,421	1994
Municipality of Lindesberg	4	23,613	1993	Municipality of Pajala	52	6,101	1994
Municipality of Uddevalla	5	55,763	1993	Municipality of Piteå	53	42,184	1994
Municipality of Vänersborg	6	39,151	1993	Municipality of Kristianstad	54	84,151	1994
Municipality of Sandviken	7	39,259	1993	Municipality of Berg	55	7,122	1995
Municipality of Varberg	8	62,755	1993	Municipality of Vårgårda	56	11,490	1995
Municipality of Mjölby	9	27,019	1996	Municipality of Ödeshög	57	5,343	1995
Region Örebro County	10	298,907	1993	Municipality of Orsa	58	6,887	1995
Municipality of Örebro	11	150,291	1993	Municipality of Svedala	59	21,074	1995
Municipality of Kumla	12	21,506	1993	Municipality of Lomma	60	24,264	1995
Municipality of Laxå	13	5,643	1993	Municipality of Lekeberg	61	7,868	1995
Municipality of Ljusnarsberg	14	4,942	1993	Municipality of Kungsör	62	8,603	1995
Municipality of Karlskoga	15	30,413	1993	Municipality of Tjörns	63	15,790	1995
Municipality of Hällsberg	16	15,932	1993	Municipality of Staffanstorps	64	24,167	1995
Municipality of Degerfors	17	9,668	1993	Municipality of Härryda	65	37,412	1995
Municipality of Askersund	18	11,175	1993	Municipality of Grums	66	9,011	1995
Municipality of Nora	19	10,747	1993	Municipality of Höganäs	67	26,193	1995
Municipality of Hällefors	20	7,109	1993	Municipality of Ängelholm	68	41,786	1995
Municipality of Härnösand	21	25,190	1993	Municipality of Flen	69	16,864	1995
Municipality of Ale	22	30,223	1993	Municipality of Essunga	70	5,647	1995
Municipality of Norberg	23	5,796	1993	Municipality of Nordmaling	71	7,103	1995
Municipality of Karlskrona	24	66,666	1993	Municipality of Oskarshamn	72	26,928	1996
Municipality of Skellefteå	25	72,723	1994	Municipality of Båstad	73	14,796	1996
Municipality of Västerviks	26	36,551	1994	Municipality of Storuman	74	5,902	1996
Municipality of Fagersta	27	13,415	1994	Municipality of Älvdalen	75	7,068	1996
Region Gotland	28	58,595	1994	Municipality of Sunne	76	13,331	1995
Municipality of Alingsås	29	40,390	1994	Municipality of Hjo	77	9,093	1996
Municipality of Smedjebacken	30	10,894	1994	Municipality of Mönsterås	78	13,498	1996
Municipality of Boxholm	31	5,453	1994	Municipality of Malå	79	3,133	1997
Municipality of Ockelbo	32	5,896	1994	Municipality of Högsby	80	6,087	1997
Municipality of Tanums	33	12,763	1994	Municipality of Torsby	81	11,890	1997
Municipality of Borlänge	34	51,964	1994	Municipality of Lycksele	82	12,257	1997
Municipality of Strömsund	35	11,791	1994	Municipality of Bengtsfors	83	9,905	1997
Municipality of Kungsbacka	36	81,986	1994	Municipality of Åstorp	84	15,828	1997
Municipality of Valdemarsvik	37	7,920	1994	Municipality of Simrishamn	85	19,376	1997
Municipality of Eda	38	8,618	1994	Municipality of Vimmerby	86	15,728	1997
Municipality of Gnosjö	39	9,733	1994	Municipality of Hultsfred	87	14,579	1997
Municipality of Övertorneå	40	4,461	1994	Municipality of Mörbylånga	88	15,000	1997
Municipality of Hedemora	41	15,566	1994	Municipality of Arvika	89	26,060	1997
Municipality of Luleå	42	77,470	1994	Municipality of Hammarö	90	16,174	1997
Municipality of Falu	43	58,340	1994	Municipality of Karlshamn	91	32,200	1997
City of Landskrona	44	45,286	1994	Municipality of Skara	92	18,843	1997
Municipality of Arboga	45	13,934	1994	Municipality of Sävsjö	93	11,496	1997
Municipality of Munkedal	46	10,423	1994	Municipality of Skurup	94	15,642	1998
Municipality of Orust	47	15,108	1994	Municipality of Vindeln	95	5,412	1998
Municipality of Falkenberg	48	44,195	1994	Municipality of Rättvik	96	10,837	1998

LIST OF MEMBERS

Name of member	Population			Name of member	Population		
	Member No.	31 December 2017	Member year		Member No.	31 December 2017	Member year
Municipality of Mellerud	97	9,377	1998	Municipality of Ystad	154	29,848	2004
Municipality of Färgelanda	98	6,592	1998	Municipality of Säffle	155	15,727	2004
Municipality of Söderköping	99	14,521	1998	Municipality of Bollnäs	156	26,918	2004
Municipality of Vetlanda	100	27,415	1998	Municipality of Storfors	157	4,123	2004
Municipality of Herrljunga	101	9,485	1999	Municipality of Huddinge	158	110,003	2004
Municipality of Laholm	102	25,147	1999	Municipality of Håbo	159	21,083	2005
Region Gävleborg	103	285,637	1999	Municipality of Gällivare	160	17,825	2005
Municipality of Mark	104	34,484	1999	Region Uppsala	161	368,971	2005
Municipality of Leksand	105	15,640	1999	Municipality of Kramfors	162	18,610	2005
Municipality of Strömstad	106	13,218	1999	Municipality of Haparanda	163	9,805	2005
Municipality of Upplands-Bo	107	27,614	1999	Municipality of Krokom	164	14,925	2005
Municipality of Alvesta	108	20,026	1999	Municipality of Arvidsjaur	165	6,440	2005
Municipality of Kalix	109	16,169	1999	Municipality of Mariestad	166	24,290	2005
Municipality of Bräcke	110	6,501	2000	Municipality of Åsele	167	2,809	2005
Municipality of Örkelljunga	111	10,047	2000	Municipality of Sollefteå	168	19,709	2005
Municipality of Götene	112	13,242	2000	Municipality of Örnsköldsvik	169	56,139	2005
Municipality of Ovanåker	113	11,609	2000	Municipality of Karlstad	170	91,120	2005
Municipality of Ydre	114	3,733	2001	Municipality of Surahammar	171	10,037	2005
Municipality of Bollebygd	115	9,262	2001	Municipality of Filipstad	172	10,783	2005
Municipality of Torsås	116	7,083	2001	Municipality of Motala	173	43,549	2005
Municipality of Habo	117	11,845	2001	Municipality of Jokkmokk	174	5,081	2005
Municipality of Gagnef	118	10,241	2001	Municipality of Hallstahammar	175	15,998	2006
Municipality of Sotenäs	119	9,073	2001	Municipality of Avesta	176	23,256	2006
Municipality of Köping	120	26,116	2001	Municipality of Trosa	177	12,916	2006
Municipality of Boden	121	28,181	2001	Municipality of Lilla Edet	178	13,961	2006
Municipality of Tranemo	122	11,841	2001	Municipality of Skinnskatteberg	179	4,431	2006
Municipality of Nässjö	123	31,178	2001	Municipality of Kiruna	180	23,116	2006
Municipality of Kinda	124	9,882	2001	Municipality of Finspång	181	21,577	2006
Municipality of Sigtuna	125	47,146	2002	Municipality of Lysekil	182	14,621	2006
Municipality of Karlsborg	126	6,954	2002	Municipality of Söderhamn	183	25,782	2006
Municipality of Robertsfors	127	6,784	2002	Municipality of Hudiksvall	184	37,401	2006
Municipality of Älvsbyn	128	8,274	2002	Norrbottn County Council	185	251,295	2006
Municipality of Mora	129	20,369	2002	Municipality of Dorotea	186	2,646	2006
Municipality of Tranås	130	18,894	2002	Municipality of Nordanstig	187	9,481	2006
Municipality of Eksjö	131	17,416	2002	Municipality of Arjeplog	188	2,821	2006
Municipality of Heby	132	13,854	2002	Municipality of Botkyrka	189	91,925	2006
Municipality of Oxelösund	133	12,008	2003	Municipality of Nybro	190	20,406	2007
Municipality of Haninge	134	88,037	2003	Municipality of Hagfors	191	11,782	2007
Municipality of Kungälv	135	44,110	2003	Municipality of Vännäs	192	8,776	2007
Municipality of Tomelilla	136	13,416	2003	Municipality of Bjurholm	193	2,451	2007
Municipality of Växjö	137	91,060	2003	Municipality of Eskilstuna	194	104,709	2007
Municipality of Trelleborg	138	44,595	2003	Municipality of Gnesta	195	11,019	2007
Municipality of Lessebo	139	8,806	2003	Municipality of Forshaga	196	11,509	2007
Municipality of Säter	140	11,160	2003	Municipality of Kalmar	197	67,451	2007
Municipality of Ånge	141	9,480	2003	Municipality of Sjöbo	198	19,071	2007
Region Västmanland	142	271,095	2003	Municipality of Stenungsund	199	26,224	2007
Municipality of Ljusdal	143	19,028	2003	Municipality of Strängnäs	200	35,045	2007
Municipality of Norsjö	144	4,086	2003	Municipality of Åre	201	11,268	2007
Municipality of Hofors	145	9,660	2003	Municipality of Ludvika	202	26,992	2007
Municipality of Överkalix	146	3,367	2004	Municipality of Lerum	203	41,510	2007
Municipality of Kil	147	11,910	2004	Municipality of Nykvarns	204	10,660	2007
Municipality of Härjedalen	148	10,154	2004	Municipality of Vilhelmina	205	6,787	2007
Värmland County Council	149	280,399	2004	Municipality of Emmaboda	206	9,368	2007
Municipality of Eslöv	150	33,236	2004	Municipality of Vansbro	207	6,837	2007
Municipality of Mullsjö	151	7,328	2004	Municipality of Töreboda	208	9,414	2007
Municipality of Vingåker	152	9,180	2004	Municipality of Sölvesborg	209	17,455	2007
Municipality of Munkfors	153	3,763	2004	Municipality of Ragunda	210	5,444	2007

Name of member	Population			Name of member	Population		
	Member No.	31 December 2017	Member year		Member No.	31 December 2017	Member year
Municipality of Osby	211	13,182	2008	City of Borås	267	111,026	2011
Municipality of Vaggeryd	212	13,840	2008	Municipality of Enköping	268	43,797	2012
Municipality of Timrå	213	18,030	2008	Municipality of Åmål	269	12,711	2012
Municipality of Knivsta	214	18,064	2008	Municipality of Värnamo	270	34,206	2012
Municipality of Åtvidaberg	215	11,631	2008	Municipality of Södertälje	271	96,032	2012
Municipality of Uppvidinge	216	9,561	2008	City of Gothenburg	272	564,039	2012
Municipality of Svenljunga	217	10,659	2008	Municipality of Skövde	273	54,975	2012
Municipality of Tingsryd	218	12,451	2008	City of Sundbyberg	274	49,424	2012
Municipality of Jönköping	219	137,481	2008	Municipality of Uppsala	275	219,914	2013
Municipality of Lund	220	121,274	2008	Municipality of Tibro	276	11,110	2013
Municipality of Ulricehamn	221	24,296	2008	Municipality of Järfälla	277	76,453	2013
Municipality of Tierp	222	20,930	2008	Municipality of Svalöv	278	14,025	2013
Municipality of Grästorp	223	5,750	2008	Municipality of Klippan	279	17,462	2014
Municipality of Malung-Sälen	224	10,114	2009	Municipality of Markaryd	280	10,170	2014
Municipality of Östra Göinge	225	14,715	2009	Region Jämtland Härjedalen	281	129,806	2016
Municipality of Årjäng	226	9,948	2009	Municipality of Partille	282	37,880	2016
Municipality of Dals-Ed	227	4,763	2009	Region Kronoberg	283	197,519	2016
City of Vaxholm	228	11,831	2009	Municipality of Sollentuna	284	71,848	2016
Municipality of Älvkarleby	229	9,402	2009	Municipality of Kävlinge	285	30,959	2016
Municipality of Ljungby	230	28,297	2009	Västerbotten County Council	286	268,465	2016
Municipality of Hörby	231	15,552	2009	City of Mölndal	287	66,121	2017
Municipality of Älmhult	232	17,148	2009	Municipality of Linköping	288	158,520	2017
Municipality of Burlöv	233	18,073	2009				
Municipality of Hässleholm	234	52,003	2009				
Municipality of Olofström	235	13,482	2009				
Municipality of Sala	236	22,631	2009				
Municipality of Öckerö	237	12,923	2009				
Municipality of Kristinehamn	238	24,650	2009				
Municipality of Östhammar	239	21,927	2009				
Municipality of Bromölla	240	12,699	2009				
Municipality of Gullspångs	241	5,280	2009				
Municipality of Aneby	242	6,776	2009				
Municipality of Lidköping	243	39,506	2009				
Municipality of Bjuv	244	15,429	2009				
Municipality of Nynäshamn	245	28,109	2009				
Municipality of Norrköping	246	140,927	2009				
Municipality of Halmstad	247	99,752	2009				
Municipality of Ronneby	248	29,568	2009				
Municipality of Sorsele	249	2,516	2010				
Municipality of Falköping	250	33,077	2010				
Municipality of Upplands Väsby	251	44,605	2010				
Municipality of Hylte	252	10,990	2010				
Municipality of Borgholm	253	10,857	2010				
Municipality of Höör	254	16,478	2010				
Municipality of Vara	255	15,942	2010				
Municipality of Vallentuna	256	33,175	2010				
Municipality of Salem	257	16,665	2010				
Municipality of Tyresö	258	47,304	2010				
Municipality of Tidaholm	259	12,827	2010				
Municipality of Värmdö	260	43,444	2010				
Municipality of Norrtälje	261	60,808	2011				
Dalarna County Council	262	286,165	2011				
City of Solna	263	79,707	2011				
Municipality of Perstorp	264	7,335	2011				
Municipality of Nyköping	265	55,467	2011				
Municipality of Gislaved	266	29,629	2011				



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

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



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