

KOMMUNINVEST COOPERATIVE SOCIETY

# Annual Report 2018



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, regions, municipal companies and other local government actors.

**277  
+ 11**

Kommuninvest is owned by 277 municipalities and 11 regions.



## Green Loans

Green loans were introduced in 2015 for financing environmental and climate-related investments. Since the launch, the volume of Green loans has increased to SEK 40 billion.

## Our vision

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

## Basic concept

Together, municipalities and 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.

## Organisation with clear division of roles

Kommuninvest comprises two parts. Kommuninvest Cooperative Society (the Society) is one part and the credit market company Kommuninvest i Sverige AB (the Company) is the other.

### **Kommuninvest Cooperative Society**

Administrates membership and the joint and several guarantee.

The Board of Directors consists of elected politicians from municipalities and 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 and business development.

**AAA**

**Aaa**

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

## Since 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.

**SEK  
354  
billion**

Lending to members amounted to SEK 354 billion at the end of 2018.

# Important events during the year

**In 2018, Barclays became a retailer of the Swedish bonds and new digital tools were launched to customers. The year also brought new owner directives making it possible to lower lending prices, and a preliminary leverage ratio requirement for gross debt from the EU, which Kommuninvest meets.**



## New bank sells Kommuninvest bonds

As of 1 January 2019, the number of retailers of Kommuninvest's Swedish Benchmark Programme increased with the addition of the international bank Barclays.

The addition of Barclays is part of Kommuninvest's long-term strategy of establishing local government bonds as a liquid part of the Swedish bond market, and is further motivated by increased interest from foreign investors in Kommuninvest's bonds denominated in SEK.

During 2018, Kommuninvest's bonds were also included in Nasdaq's broadest bond index, OMRXALL, and have been approved as collateral with the clearing organisation LCH.

## New leverage ratio proposal from the EU

The European Commission has presented a preliminary proposal for new regulations for Public Development Credit Institutions. The proposal entails the required leverage ratio being set at 3 percent and that direct and indirect exposures to the public sector may be deducted when calculating the leverage ratio.

Since, in Kommuninvest's assessment, all criteria in the proposal for being counted as a public development credit institution are met, Kommuninvest can deduct all lending to members and their companies while meeting the new capital requirement and by a good margin. The proposal is expected to be completed in the first quarter of 2019 and can then come into effect by 1 July 2019 at the earliest, to be ratified at the national level two years later.

## New applications for efficient lending

Kommuninvest constantly strives to improve and simplify matters for customers. During the year, several new technical solutions were launched to facilitate opportunities for borrowing from Kommuninvest.

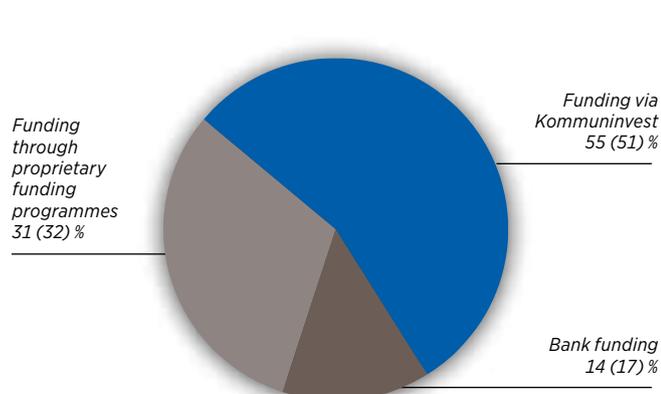
During the spring, KI Prislista was launched, a new application within KI Finans providing price illustrations for the various loan options. A digital quotation request, KI Offert, was introduced after the summer, allowing customers to request a loan offer through KI Finans. KI Signera, the latest addition, makes it possible to sign loan agreements with the support of a mobile bank identification application. Additional functions will be developed and launched in 2019.

## Lower margin in lending to customers

At the Annual General Meeting in April 2018, the owner directive was amended to enable a price reduction for customers. This entails the Company's lending margin no longer taking into account fluctuations in unrealised market value and expected loan losses.

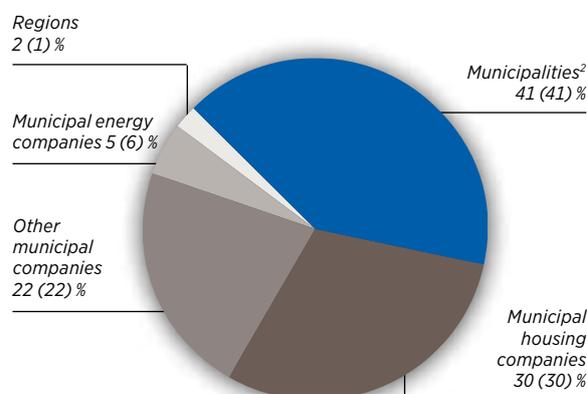
Initially, the margin was lowered from 23 basis points to 16.5 and, in December 2018, to 14.5. The price change strengthened the already high lending rate, particularly to members with their own funding programmes. In the long term, however, refunds to members will be lower.

## MARKET SHARES, LOCAL GOVERNMENT LOAN FINANCING<sup>1</sup>



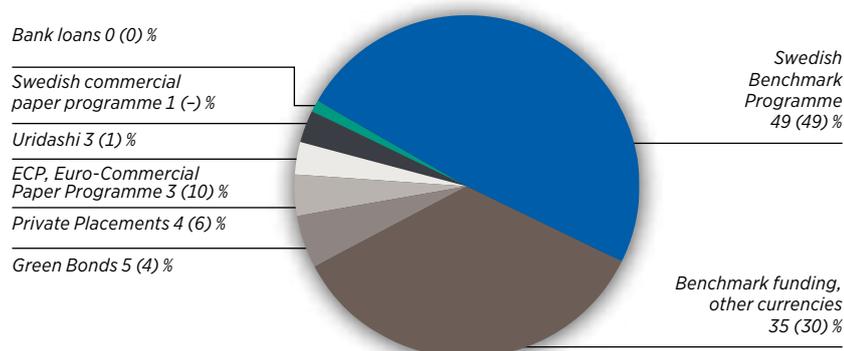
1) Forecast regarding outstanding funding (figures in brackets refer to actual outstanding funding in accordance with members' own annual reports as per 31 December 2017).

## LENDING PORTFOLIO BY BORROWER CATEGORY



2) Some lending to municipalities is on-lent to municipal companies through municipal internal banks.

## FUNDING PORTFOLIO BY PROGRAMME



All charts refer to 31 December 2018. Figures in parentheses refer to 31 December 2017.

## MULTI-YEAR SUMMARY, KOMMUNINVEST GROUP

	2018	2017	2016	2015	2014
Balance sheet total, SEK billion	417.2	357.0	361.7	340.6	312.1
Lending, SEK billion	355.7	310.1	277.0	254.4	222.8
Net profit, SEK million	718.1	1,075.9	358.8	689.9	718.6
Members, total	288	288	286	280	280
of which, municipalities	277	277	275	272	272
of which, regions	11	11	11	8	8
Core Tier I capital ratio <sup>1</sup> , %	187.7	218.0	106.6	46.2	35.6
Tier I capital ratio <sup>2</sup> , %	187.7	218.0	106.6	46.2	35.6
Total capital ratio <sup>3</sup> , %	192.8	231.4	117.6	56.9	47.4
Leverage ratio according to CRR <sup>4</sup> , %	1.74	1.82	1.60	0.90	0.79

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

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

# Good starting position – major challenges

Kommuninvest plays a highly important role for its members by offering favourable terms for local government sector investment. Lending grew sharply over the year and it appears the trend is set to continue. Rapid population growth and demographic shifts, with a larger proportion of older people, children and young people, mean that municipalities and regions need to expand their operations.

## Good starting position

Kommuninvest is developing quickly and performing well. This gives us a good starting position as we look to the future. Our surveys show that our customers and members are very satisfied. We have stable, supportive owners with great confidence in Kommuninvest, a strong financial situation and a growth in lending showing us to be competitive and attractive when our members need to borrow money. Maintaining a high level of quality and efficiency, we offer products that our customers demand.

This builds a position of strength as we face the predominant challenges of the future.

## Increased interest

Interest in Kommuninvest remains high, both in becoming a member and in borrowing money. In January 2019, our 289th member, Region Blekinge, joined us, and I would like to take this opportunity to welcome them to the Society! This means that 96 percent of Sweden's municipalities and 60 percent of its regions are now members. Discussions with additional potential members are in progress.

In 2018, the Annual General Meeting of the Society adopted owner directives for the Company entailing, among other things, a change in pricing strategy. Accordingly, lending has increased at an even faster pace than we had anticipated, and it appears as though this trend is set to continue.



**Kommuninvest is developing quickly and performing well. This places us in a position of strength as we face the predominant challenges of the future.**

## Demographic challenges

Sweden's population is growing at a record pace. Over the next ten years, it is estimated that the population will increase by more than one million, passing the 11 million mark. The number of elderly people, children and young people is rising particularly rapid. This entails considerable pressure to expand the operations of the municipalities and regions. In this situation, Kommuninvest has a particularly important role to play. Our 289 members finance a large and growing part of their investments through the partnership that Kommuninvest represents.

## Capital for expansion

Over the past five years, the EU has conducted a comprehensive review of the requirements imposed on financial players to reduce the risk of future financial crises. The new regulations afford Kommuninvest favourable prospects of being able to continue to offer beneficial terms for the local government sector's future investments. Among other things, the proposal entails certain public sector financial players, like Kommuninvest, being subject to lower leverage requirements than others, since the level of risk-taking in their operations is very low.

During 2018, Kommuninvest achieved the Society's self-imposed leverage ratio target of at least 1.5 percent. We have, at the same time, experienced very strong growth in lending, requiring us to focus once again on the issue of capital, regardless of the EU regulations. This development means that we will need expansion capital due to our strong growth. For this



reason, the Society and the Company will be conducting a study of capital needs in 2019 to be able to meet future requirements in relation to the continued strong growth in lending that we anticipate. In 2018, the Society increased its capital through capital contributions from members and annual contributions from members yet to have reached the highest contribution level, such that participation capital amounted to SEK 6.9 billion at the end of the year. Accordingly, the leverage ratio amounted to 1.74 percent at the end of the year.

#### **Regions in focus**

By the close of 2018, all of Sweden's county councils had assumed responsibility for regional development and are now therefore referred to as regions. Of the country's 20 regions, 12 are members of Kommuninvest. Alongside increasing needs, for demographic reasons, for example, we are now seeing a trend with weaker financial results in several regions. Despite several regions having raised taxes in recent years, average net profit over the past ten years has fallen below 1 percent as a share of taxes and central government allocations. With more regions having become members of Kommuninvest and growing economic challenges in the

regional sector, we will be extending our expertise to be able to offer the support they need in the area of finance.

#### **Sustainability**

In conclusion, I would like to underscore Kommuninvest's role in providing tools for and supporting members in their responsibilities in connection with the transition to the more sustainable social development targeted by national and local programmes. Our Green Bond and Green Loan concepts have been highly successful. Kommuninvest is the Nordic region's largest issuer of green bonds, and we have currently approved green projects for about SEK 40 billion. During 2019, we will work to broaden our skills in the area of sustainability to be able to offer equivalent support for initiatives in the social arena in the future.

Kommuninvest Cooperative Society

Göran Färm  
Chairman

# For better local government financial management

During the year, the process of change within Kommuninvest continued, focusing on increased benefit for members and customers. The work is conducted in an environment of high customer and member satisfaction, in which Kommuninvest has become an increasingly important tool for its members. Fostering this high level of confidence in the operations is crucial.

**M**unicipalities' and regions' favourable financial results in recent years have reduced the pressure on financing the investments necessitated by population growth, urbanisation and an increased number of elderly and younger inhabitants. Although local government debt is nonetheless rising, in relation to GDP, it remains low and clearly manageable. The challenges faced by the sector primarily involve skills supply, which is of concern from both an operational perspective and with regard to cost.

## Strong partnership

At the end of the year, Kommuninvest's lending exceeded SEK 350 billion, partly as an effect of the members' decision regarding a new pricing strategy. Quoted lending rates have been cut, meaning that Kommuninvest's net profit and refunds will gradually decrease over time.

We can see clearly that the Kommuninvest partnership is growing increasingly important for members. In 2010, ten members had secured all of their funding through their own financial partnership – in 2018, that group had grown to 100 members. Today, more than 200 members arrange more than 95 percent of their loan financing through Kommuninvest. While this is gratifying, it imposes increasing demands on us as a provider of credit in terms of meeting members' liquidity needs, for example.

Members continue to fund their environmental and climate-related investments with Green



**We can see clearly that the Kommuninvest partnership is growing increasingly important for members.**

Loans. Over the year, the number of financed projects rose to 232 (149) and the number of members choosing Green Loans rose to 109 (81).

## Cost control and efficiency

Good cost control is a priority, as operating expenses have risen sharply over the past ten years, mainly as a consequence of increased official reporting requirements. In 2018, however, the increase in expense was marginal. In relation to lending volume, the Group's expenses over the year decreased to 6.1 (7.1) basis points, excluding the resolution fee.

We work extensively on efficiency in our core lending and funding processes and are pleased that our international funding is functioning so well in terms of accessibility and pricing. This was significant in 2018, when five major benchmark programmes denominated in USD were implemented with favourable results. Areas to continue working on with regard to funding include the Swedish market and strategic currency diversification. Kommuninvest's increasing responsibility for the financing of the local government sector adds weight to these issues.

## The mission is changing

Today, modern technology enables development of product and service offerings in completely new ways. At Kommuninvest, we are working to fully automate the lending process. Over the year, price lists updated in real time were introduced on the website, as well as a bid application linked directly to the business system. Loan



agreements entered into by customers can now be signed digitally.

When time for analysis and follow-up can be freed up on both sides, relations with customers and members will change, for our part imposing demands on both skills reinforcement and development. This is such an important issue that Skills is one of our four focus areas, in addition to Customers, Efficiency and Digitalisation.

#### **Development alongside customers**

Although Kommuninvest continues to develop well, in line with its vision of being the world's best organisation for local government financial management, we nonetheless perceive several areas for improvement. These need to be addressed to meet the legitimate expectations of the members.

With the insight that the trust of our members is our foremost asset, my employees and I will continue seeking to develop and streamline the operations, in close cooperation with members and customers. Kommuninvest shall provide the best support in streamlining and improving municipalities' and regions' financial management processes.

Kommuninvest Cooperative Society

**Tomas Werngren**  
President & CEO

# How Kommuninvest helps build welfare

**Kommuninvest finances more than half of the Swedish local government sector's investments in new housing, schools, homes for the elderly, swimming baths and other infrastructure investments.**

Through our lending, we provide conditions for Swedish municipalities and regions to invest cost-efficiently in welfare. Since the financial crisis ten years ago, Kommuninvest's share of the local government sector's funding has risen sharply and today we account for about half of the total loan debt. The explanation is partly that municipalities and regions have increasingly joined Kommuninvest as members, and partly that the new, stricter regulations have made it increasingly difficult for banks and other financial institutions to compete with our favourable credit terms.

## 1. Funding

Kommuninvest continuously raises funding both in Sweden and in the international capital market. The local government sector's inherent stability combined with our members' joint and several guarantee undertaking means that Kommuninvest's funding is regarded as highly secure. From a credit risk perspective, Kommuninvest's funding is regarded as equivalent to the Swedish central government's own funding. The low risk, combined with Kommuninvest's history and good reputation in the capital market, affords us access to financiers who generally lend to us on favourable terms. To be able to meet our members' credit requirements, even when the markets are uneasy, we always maintain surplus liquidity in reserve, that is, assets not yet earmarked for lending to our members.

## 2. Loan application and credit check

When one of Kommuninvest's customers decides to borrow money for one or more investments, the municipality or the region contacts Kommuninvest to apply for a loan. Normally, our lending is not tied to any specific purpose and, in accordance with the Swedish principle of local self-government, borrowers need not account for how the money will be used.

Since we have usually known our members well for many years, we generally have a good knowledge of their financial situation. Kommuninvest performs regular checks to determine customers' credit capacity and, in connection with each

lending decision a check is made to ascertain whether the loan to be granted is in line with the customer's credit capacity. Together we find a solution that both meets the needs of the borrower and takes into account the combined borrowing debt of the Society's members.

## 3. Green Loans

If the investment for which a municipality or region is borrowing money is compatible with Sweden's environmental objectives or those of the region and contributes to a more resource-efficient and climate-resistant society, the borrower has the opportunity to receive a Green Loan. For the Environmental Committee to grant a Green Loan, the investment must meet a number of predetermined sustainability criteria and be included in one of eight categories, including investments in renewable energy, climate-smart buildings, sustainable transport and energy efficiency. Kommuninvest finances its green lending by issuing Green Bonds, which are sought after by investors and meet a number of requirements to be recognised as green. Read more about Kommuninvest's Green loans on page 20.

## 4. Disbursement of loans

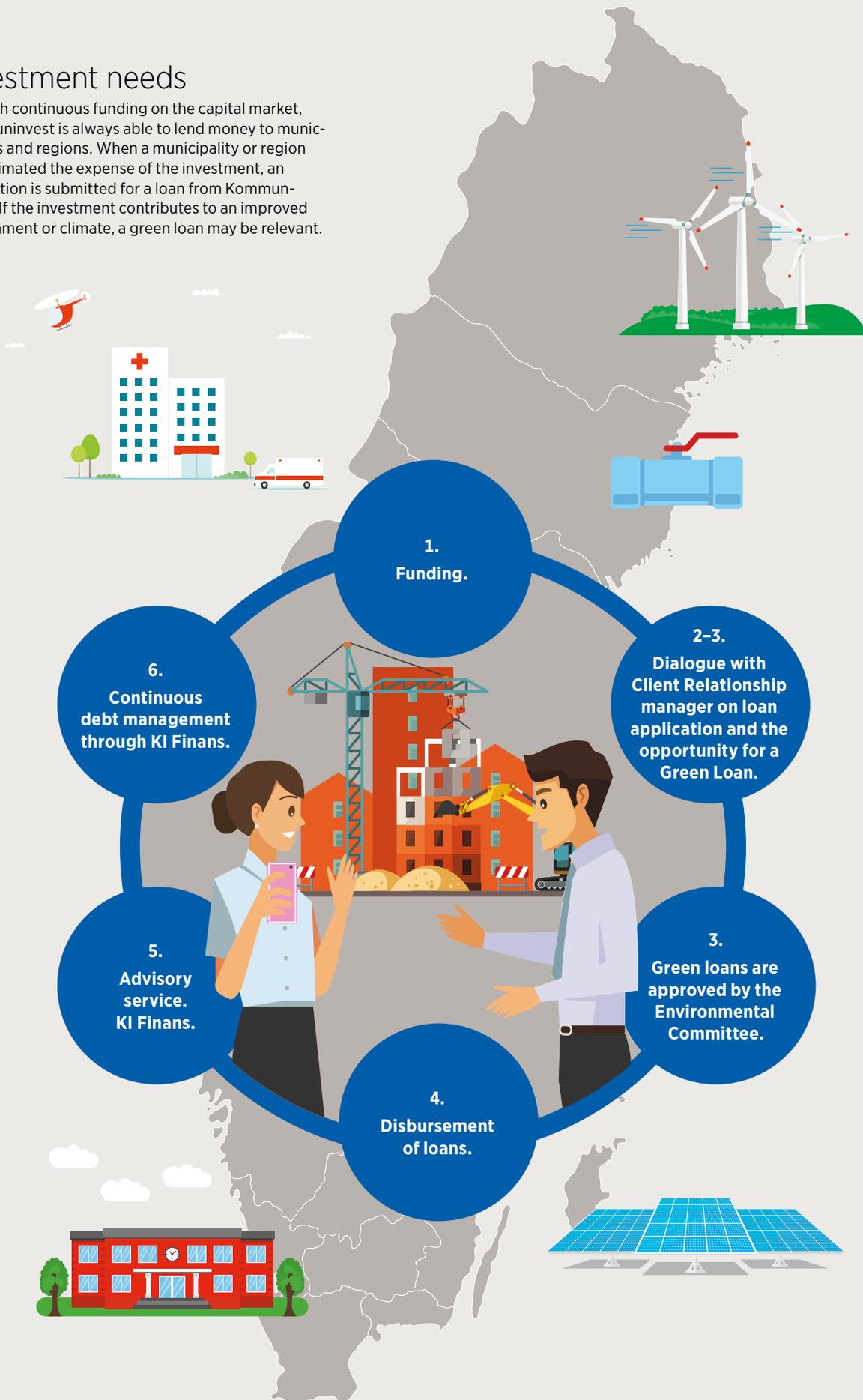
Because we know our members well and apply a fast and efficient credit process, the time from the first call regarding the borrowing requirement until the loan can be disbursed is brief. If a Green Loan is involved, we take care of the additional administration and documentation that green financing requires, such as the ongoing external review and reporting to investors having purchased Kommuninvest's Green Bonds.

## 5-6. Advice and debt management through KI Finans

Throughout the term of the loan, the borrower is in continuous contact with our Client Relationship manager and has access to all of Kommuninvest's combined expertise. In the web-based financial management service KI Finans, customers' finance officers have access to transaction management, analysis and reporting of liabilities and assets.

## Investment needs

Through continuous funding on the capital market, Kommuninvest is always able to lend money to municipalities and regions. When a municipality or region has estimated the expense of the investment, an application is submitted for a loan from Kommuninvest. If the investment contributes to an improved environment or climate, a green loan may be relevant.



# How we generate sustainable values

**Through lending to municipalities and regions, Kommuninvest establishes conditions for the expansion of Swedish welfare, increases the stability of local government finances and contributes to a more sustainable Sweden.**

The municipalities and regions form the backbone of the Swedish welfare state. It is under their management 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.

Local government actors are also a driving force behind Swedish sustainability efforts, with ambitious environmental plans and being responsible for urban planning, local infrastructure and public transport. More than 90 percent of the municipalities have set their own environmental targets or have adopted national or regional targets. They frequently aim higher than the national target of a fossil-free Sweden by 2045.

## Generating direct values

In its role as the largest lender to the Swedish municipal sector by a wide margin, Kommuninvest helps generate both direct and indirect values. Among the direct values, the most important is that the cost-efficient lending we provide brings financial stability to municipalities and regions. Our lending makes it possible to carry out essential investments in welfare and sustainability – and to a greater extent or at a faster pace than would have been possible if credit had been more expensive. We also offer our members a tool for easier and more efficient debt management that we have developed in-house, K1 Finans, the full-scale version of which is used by 204 out of 288 members. Because of its good financial results, Kommuninvest's members have been able to receive an annual distribution of surpluses, consisting of refunds and interest on contribution capital. In 2018, SEK 969.8 million in surpluses was distributed for the 2017 financial year.

## Generating indirect value

The most important values that Kommuninvest contributes to creating are of course the results of all of the investments financed by our lending. These involve welfare investments including new or refurbished homes for the elderly, schools and healthcare centres, or various forms of infrastructure such as roads, public transport, energy, water/sewerage. Cost-efficient, long-term financing provides conditions for municipalities and regions to make significant investments at the pace needed to meet increased requirements on level

of service, population growth and other needs arising in common welfare. Because 96 percent of Sweden's municipalities and 55 percent of its regions are members of Kommuninvest, our lending contributes to making beneficial investments from north to south, in turn engendering conditions for people to live and work in all parts of Sweden.

Kommuninvest works actively to build up capacity and increase knowledge of the local government sector's financial conditions. This is achieved by collaborating on research with Örebro University, developing customised courses for elected local government representatives and officials in collaboration with the Stockholm School of Economics, and so-called Society Lab networks for young politicians on how we make local government financial data available in open databases. In this way, Kommuninvest helps produce the conditions needed for long-term sound and sustainable local government finances. We are also a partner of the Vadstena Forum for Public Construction, which arranges symposia to promote an open debate and exchange of knowledge on public construction issues.

For a long time, municipalities and regions have had clear assignments to shape a sustainable society. Today, the sustainability debate has broadened to cover a wide range of aspects, not least how we take responsibility for the society we pass on to future generations. Consequently, virtually all local government sector investments have a sustainability focus – particularly when it comes to investments aimed at reducing negative effects on the climate, building long-term sustainable societies, promoting clean water and sustainable energy, and sustainably developing industry, innovations and infrastructure. These investments help meet several of the component targets in the UN's Agenda 2030, on which many actors in the local government sector hold a position. A significant portion of investments promoting sustainability are financed with Kommuninvest's Green Loans, which were introduced in 2015. At the end of 2018, SEK 39.5 billion in Green Loans had been granted regarding 232 projects in 109 municipalities and regions.

Kommuninvest finances Green Loans by issuing Green Bonds. Demand for our Green Bonds has been very good, and most issues have been oversubscribed. With its Green Loans and Green Bonds, Kommuninvest contributes to the financial market's realignment to support development towards a sustainable society.

Creates stable finances in municipalities and regions.



Contributes to the general build-up of welfare in Sweden.



Lending

**354**

SEK billion

Of which 7 percent are Green Loans (based on disbursed volume)



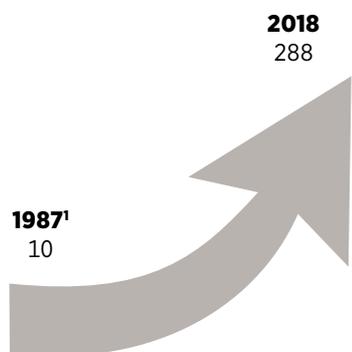
Helps all of Sweden live.

**969.8**  
SEK million in total distribution of surplus<sup>1</sup>

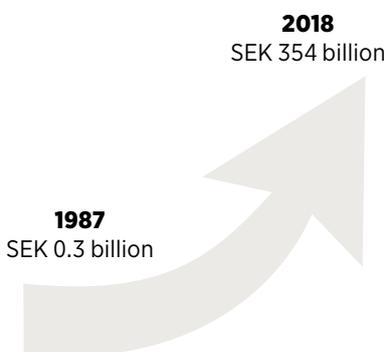
**1,878**  
users of KI Finans

Helps to meet Sweden's sustainability targets.

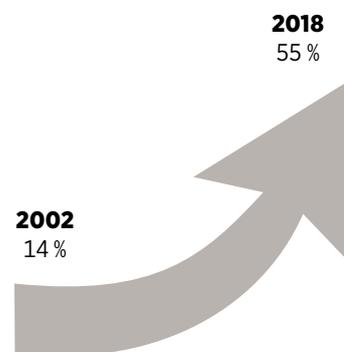
1) Amount disbursed in 2018, relating to the 2017 financial year.



**Members (municipalities and regions)**



**Total lending to members**



**Market share local government sector**

1) Kommuninvest was founded in 1987. From 1993, ownership is organised through the Kommuninvest Cooperative Society.

# Sustainability Report 2018

**Given Kommuninvest's business concept, vision and position, naturally we volunteer to take responsibility for our impact on society from an economic, environmental and social perspective. Our Sustainability Policy states that this is to be respected throughout the operations, in terms of both direct and indirect impact.**

Kommuninvest supports its members' high sustainability ambitions through efficient and appropriate financing, as well as in its consultancy work. The principal tasks in our sustainability work include responding to the needs and expectations of our members and customers. Other important areas include our own environmental responsibility, being a responsible employer and conducting operations pervaded by professionalism, stringent ethical requirements and good business practices.

## Direct and indirect influence

Within the framework of a situation assessment conducted in 2018, Kommuninvest's direct and indirect sustainability impacts have been mapped. Kommuninvest owns the direct influence, meaning this lies within the Company's direct decision-making mandate and efforts can provide concrete qualitative and quantitative effects. Direct influence includes, for example, customer and employee relations, business travel, office premises, local collaboration, etc.

Kommuninvest's indirect impact is defined as its sustainability impact through its lending to local government groups/ its balance sheet and business relations with borrowers, investors and counterparties. The impact is mainly related to the local government authorities' choice of investments and how these contribute to a sustainable society.

The survey shows that the sustainability work conducted by the Company is beneficial in several regards. The development needs that have been identified relate primarily to the indirect impact. It is also important for the Group to continue reducing its direct environmental impact.

## 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 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. Kommuninvest's members own and control our operations but are also our customers when they choose to borrow from us. In the 2018 customer survey, Kommuninvest received a SCI of 88, an improvement by two points since the 2016 survey and a very high result.

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 specialists in economy and finance.

The ongoing dialogue with other societal actors – central government ministries, regulatory bodies and supervisory authorities – takes place largely through meetings in person and exchanges 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 conducted in both formal and informal formats, between managers and employees and at regular information meetings.

## Materiality analysis

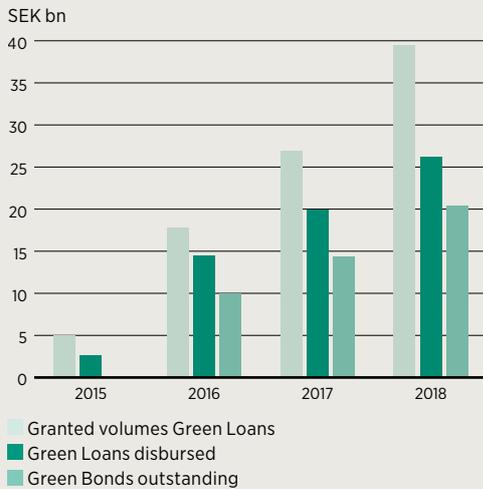
Through the stakeholder dialogue, Kommuninvest forms an idea of which sustainability issues the Company should work with. In the stakeholder survey on sustainability that was conducted in 2016, external and internal stakeholders were asked to prioritise which initiatives Kommuninvest should prioritise. Environmental aspects of lending and funding were the issues considered most important by stakeholders. The intention is to implement the stakeholder survey again in 2019.

## Governance of sustainability work

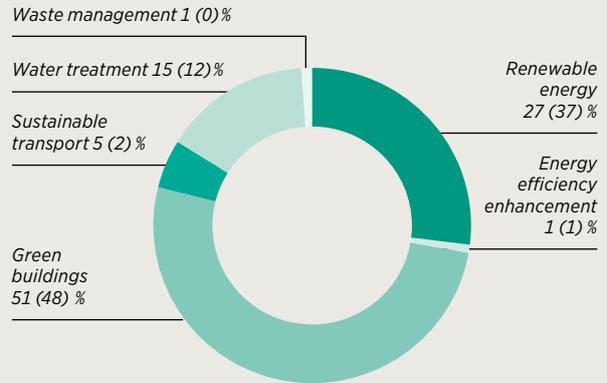
The Sustainability Manager is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department heads, who are responsible for taking sustainability aspects into account within their respective areas of responsibility. 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.



**Green Loans and Green Bonds**



**Green Loans by project category**



Funding supporting the Paris Agreement and the Sustainable Development Goals

Green Loans permit financing of environmental and climate-related investment projects in Kommuninvest’s member municipalities and regions. At the end of 2018, SEK 39.5 billion in Green loans had been granted for 232 projects and 109 members. These projects and their funding can be linked to nine of the UN’s global Sustainable Development Goals, and all of the overall goals of the Paris Agreement.



Partnership increases knowledge and drives development

Attaining ambitious sustainability goals demands collaboration and partnership. Coordinated efforts facilitate the transition, improving its accuracy. Based on this, Kommuninvest entered into strategic collaborations with SABO and SNS during the year. During the autumn of 2018, a climate initiative was launched in the public housing sector, whereby SABO member companies seek to make public housing fossil-free by 2030. A focus area within the initiative involves the life-cycle perspective and climate requirements in the construction of multi-dwelling buildings. The intention is for the requirements to be used

for procurement and as criteria for being able to obtain Green loans from Kommuninvest. To enhance knowledge of how the build-out of Swedish welfare works and how it could function better, Kommuninvest supports SNS’s research project Community Building. The project serves to bring enhanced knowledge and to propose measures in various areas of policy, based on scientific studies and proven experience. Yet another example is the “Nordic Public Sector Issuers’ Position Paper on Green Bonds Impact Reporting” that Kommuninvest has headed since 2016.

# 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 potential or emerging conflicts of interest.

## Local government debt office

Continuing to provide the Swedish local government sector with stable and efficient financing at the lowest possible expense is an important contribution to our sustainability efforts. Accordingly, Kommuninvest fulfils a similar role for the local government sector as the Swedish National Debt Office does for the central government and its authorities.

Financing at lower expense 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 regions, including their majority owned companies and foundations. The operations are to be characterised by the lowest risk exposure possible and lacks a profit-making purpose. To ensure high creditworthiness and low funding expenses, the members of the 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 funding expenses. Large volumes and a relatively small organisation mean that operating expenses can be kept at a low level. In 2018, the Group's operating expenses, excluding the resolution fee, amounted to 6.1 (7.1) basis points in relation to the lending volume. The Company's operating expenses were 5.7 (6.5) basis points of lending.

The profits generated in the operations are returned to the members in the form of interest on contribution capital and refunds in relation to business volume. In 2018, SEK 969.8 (445.4) million was transferred in this way to the members of the Society, due to the high financial outcome in 2017. Profit is expected to decrease in the future, following decisions by members in 2018 regarding a changed and more

transparent pricing model. This means that the prices offered by Kommuninvest have been reduced.

## Anti-corruption and anti-money laundering measures

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.

A risk-based approach is applied to ensure that the Company's products and services are not used for money laundering or terrorist financing. 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 were investigated during the year.

## Lowest funding expenses

Kommuninvest continuously analyses its capacity to secure low funding expenses in the fixed-income market. The analysis shows that Kommuninvest is consistently the local government actor (municipalities and regions) that raises funding at the lowest expense, although the difference compared with other players decreased during the year.

## 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. Since 2012, Kommuninvest has, among other things, maintained an in-depth partnership with the University of Örebro, promoting, for example, research on the local government sector's debt management and financial conditions, and financing a chair and post-graduate studies.

Kommuninvest has been part of the reference group associated with the University's Master's programme in Sustainable Business which commenced in the autumn of 2018, and participated with guest lecturers at the special Finance Day arranged during the first term of the programme. Kommuninvest will also be offering internships for programme participants during 2019.

Each year, we publish reports describing developments in local government investment and its funding, and we analyse trends and phenomena associated with local government funding, debt and investment.



## Nano learning: learning a lot from a little

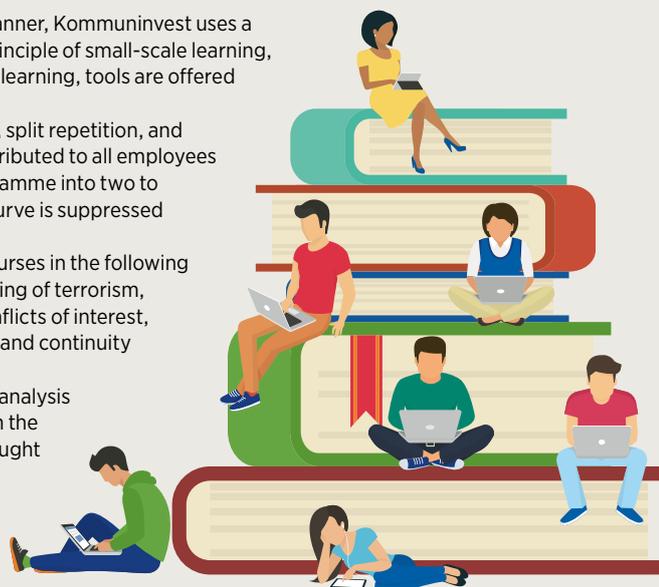
As an organisation, Kommuninvest values learning and knowledge highly. With more municipalities and regions having joined, demand increases for us to be able to work with and for additional players. Here, an important component is the ongoing skills development of all employees.

To satisfy this in a fast, easy and quality-assured manner, Kommuninvest uses a user-friendly digital learning platform based on the principle of small-scale learning, so-called "nano learning". Building on research about learning, tools are offered to optimise learning and awareness of current issues.

The method is based on "spaced repetition", that is, split repetition, and entails short parts of a training programme being distributed to all employees at even and adaptable intervals. By dividing the programme into two to three-minute lessons, the employees' forgetfulness curve is suppressed without requiring much time or effort.

In 2018, Kommuninvest's employees completed courses in the following areas: Measures against money laundering and financing of terrorism, operational risks, inventory of secondary jobs and conflicts of interest, internal governance and control, information security and continuity management.

The platform also includes reporting functions and analysis tools to monitor participation and development within the organisation. For Kommuninvest, the method has brought high implementation rates and significantly increased knowledge levels following the completion of the courses.



## Generating financial value – Kommuninvest Group

	Unit	2018	2017	2016
<b>Total revenue</b>				
Interest revenues	SEK, million	505.3	452.3	621.4
Other operating income	SEK, million	7.6	6.2	7.2
<b>Distributed value</b>				
Interest expenses	SEK, million	367.2	426.4	140.5
Commission expenses	SEK, million	-8.2	-7.3	-5.2
Salaries and emoluments	SEK, million	-73.9	-70.4	-68.1
Pension expenses, training expenses and other payroll expenses	SEK, million	-23.2	-26.6	-29.4
Social security contributions and payroll tax on pension expenses	SEK, million	-26.9	-25.3	-23.7
Resolution fee	SEK, million	-69.1	-66.3	-31.4
Other operating expenses	SEK, million	-94.1	-97.1	-93.2
Tax	SEK, million	-3.7	-28.0	-0.4
Transferred to the members of the Society during the year, refunds based on business volumes and interest on members' contribution capital for the previous financial year	SEK, million	969.8	445.4	500.7
<b>Efficiency</b>				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.052	0.061	0.059

In this note, revenues are recognised as positive and expenses as negative.

# 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 2018, 45 (38) percent of the total number of employees were women. Of the managers, 36 (38) percent were women and, in the Executive Management Team, the proportion was 43 (43) percent. The ambition is to be able to attract, retain and develop skilled employees, regardless of gender, ethnic background, faith, age, disability, sexual orientation or transgender identity.

Towards the end of 2018, 12 (18) percent of the Company's employees came from countries other than Sweden. A total of 10 (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 in which they can combine work and leisure. Areas for improvement include the pace of work and stress, as well as internal communications. The 2018 Employee Satisfaction Index amounted to 73 (68) and the Employee Loyalty Index to 79 (75) – combined, the Company had 86 (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 the framework of what we call "sustainable daily life". Sustainable daily life offers everything from substantial opportunities for a good physical and social working environment, training and daily exercise, health-inspired lectures, stress management, individual coaching and self-help programmes. Among other things, all employees are offered individual health and lifestyle reviews on a regular basis. 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.

## 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 OpenArt, opportunities for football and horse riding for people with disabilities, as well as initiatives for young immigrant women in the district of Vivalla.

## Kommuninvest's Employee Programme

In 2018, an extensive initiative in leadership, collaboration, communication and culture was initiated. The employee programme has been developed to increase Kommuninvest's capacity to develop in a time pervaded by ever-increasing complexity and rapid change. With the programme, Kommuninvest seeks, among other things, to establish platforms for developmental dialogue between employees and managers, to increase the quality of the communicative leadership and to give employees opportunities for personal development and better conditions for self-leadership. More information about the programme can be found on page 29.



## Programme for lower labour market thresholds

For various reasons, the transition into the labour market may take a particularly long time for some academics. Accordingly, each year, Kommuninvest gives a number of people the opportunity to gain relevant work experience that could ease the next step in their careers. At the end of 2018, eight people had undergone the threshold-passing programme and six of them had gained continued trust from other employers, generally in the form of permanent jobs matching their educational profiles. The three people pictured – Muhammad Amin Sadiq, Zubdah Farrukh and Mohammad Ehtasham Billah – began their threshold-passing jobs at Kommuninvest in January 2019.

## Employee statistics – Kommuninvest Group

	Unit	2018	2017	2016
Total number of employees, including those on part-time and probationary employment <sup>1</sup>	Number	104	105	97
Proportion of women/men – total	%	45/55	38/62	41/59
Proportion of women/men – all managers	%	36/64	38/62	45/55
Proportion of women/men – Executive Management Team	%	43/57	43/57	67/33
Average number of full-time annual employees (based on hours worked)	Number	97	91	85
Employment period <2 years (based on permanent employees)	%	18	18	14
Employment period 2-4 years	%	13	28	35
Employment period 5-9 years	%	40	29	25
Employment period >10 years	%	29	25	25
Personnel turnover	%	8	11	3
Participation in employee survey	%	96	95	84
Proportion of employees with university education	%	89	93	88
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	64	63	84

<sup>1</sup> Number of employees refers to the total headcount, including full and part-time employees, those on parental leave and temporary employees. The total number of permanent and probationary employees was 92 at the end of 2018.

# Environmental responsibility

**Kommuninvest's environmental work takes into account both the direct environmental impact of the office operations, purchases and services, as well as the indirect environmental impact of the financial operations.**

## Direct environmental impact

Kommuninvest's direct environmental impact relates to the impact arising as a direct consequence of the Group's operations, including energy consumption in its premises, purchases of office supplies and equipment, meetings and conferences, business travel, etc.

The environmental impact has been monitored annually since 2015 regarding the most significant areas. In 2018, a calculation was made, in cooperation with an external party, of Kommuninvest's total carbon footprint for the 2017 financial year. The analysis showed a total climate impact of 383.1 tonnes of carbon dioxide equivalents (CO<sub>2</sub>e), or 4.1 tonnes of CO<sub>2</sub>e per employee. Business travel, in the form of air travel, hotel accommodation and car travel accounted for 89 percent of the Group's climate impact, of which air travel accounted for 79 percent.

As such a large proportion of the Group's climate impact relates to aircraft, this is a natural focus area for reducing the total carbon footprint. A fundamental principle is that it should be possible to reduce travel without compromising on business objectives.

Significant emission reductions was achieved in business travel. Total emissions from business travel have decreased from 801 to 338 tonnes of CO<sub>2</sub> equivalents between 2014 and 2018. The main explanation is the reduced number of long-haul flights.

In our office operations, we work in various ways to reduce their environmental impact by means of environmentally labelled electricity, motion-controlled lighting and plumbing fixtures, micro-flush toilets, and a high level of recycling/sorting of waste. Towards the end of 2018, an analysis process was initiated to map the office property's performance from an environmental perspective, aimed at identifying possible improvement measures.

## Climate compensation

During the year, Kommuninvest decided to compensate for the greenhouse gas emissions remaining following its own climate efforts. In accordance with the conditions that apply to municipalities and regions, we climate compensate internally, that is, for investments made locally/in Sweden. The funds allocated are calculated based on the estimated expense for external climate compensation, multiplied by a factor of two, and are used to finance initiatives that either support the sustainability efforts of the Society's members or that help reduce Kommuninvest's own impact.

## Reducing the impact of office operations

Beyond business travel, the Group's climate impact occurs mainly through the office operations, through consumption of energy and other resources, as well as purchase of office materials and supplies. The Company has modern office premises in which sustainability ambitions are expressed through eco-labelled electricity, motion-controlled lighting and plumbing fixtures, "print-on-demand" solutions, low-flush toilets, etc. However, total energy consumption is increasing and an analysis of potential energy efficiency measures is planned to be implemented in 2019.

## Green Loans support the local government sector's sustainability efforts

Green Loans were introduced in 2015 and allow financing of investment projects undertaken by Kommuninvest's member municipalities and 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 2018, Kommuninvest had granted loans totalling SEK 39.5 (26.9) billion for 232 (149) green investment projects. Of the funds granted, SEK 26.2 (19.9) billion had been disbursed. The majority involved renewable energy and green buildings. The expected annual reduction of CO<sub>2</sub> emissions from these projects is visible in Kommuninvest Green Bonds Impact Report, which is available on Kommuninvest's website.

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 regions, environmental experts from other relevant organisations in the public sector or academia, as well as from Kommuninvest's Client Relationship Group.

## Largest Swedish issuer of Green Bonds

Kommuninvest finances Green Loans by issuing Green Bonds. Five Green Bonds have been issued since March 2016, and a total of SEK 20.4 (14.4) billion was outstanding at the end of 2018. Investors are primarily institutional ones, both domestic and foreign, with a clear sustainability focus.



## Emissions from business travel more than halved

Since 2014, Kommuninvest's business travel, particularly by air, has declined sharply. Air travel, measured in kilometres flown, has decreased by more than 60 percent. Over the same period, rail travel has increased by slightly

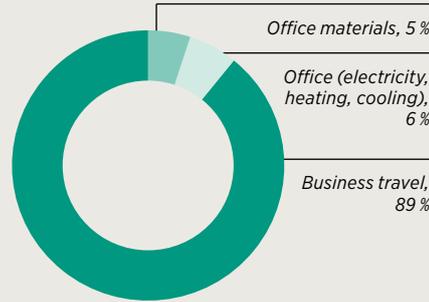
more than 20 percent. An analysis commissioned by Kommuninvest of its total CO<sub>2</sub> footprint shows that about 90 percent of the Group's total climate impact relates to business travel.

**CO<sub>2</sub> emissions from business travel, tonnes**



Source: Big Travel, with processing by Kommuninvest (emission values have been multiplied by a so-called RFI factor of 2.7 for the aviation industry's high altitude effects).

**Distribution of total climate impact**



The analysis related to the 2017 financial year and comparative values are not available.  
Source: Tricorona Climate Partner

### Business travel



Air travel  
**79%**



Hotel stays  
**8%**



Car travel  
**2%**

## Environmental indicators – Kommuninvest Group

	Unit	2018	2017	2016
<b>Energy consumption</b>				
Total energy consumption (in buildings)	kWh	620,068	585,678	463,034
– of which, electricity	kWh	365,237	333,210	295,084
– of which, heating	kWh	254,831	252,468	167,950
Proportion of renewable energy in energy consumption of electricity	%	100	100	100
Change in electricity consumption compared to the preceding year	%	10	13	-1
Proportion of renewable energy in energy consumption for heating	%	100	100	100
Total office space	m <sup>2</sup>	2,217	2,217	2,217
Total energy consumption per square metre	kWh/m <sup>2</sup>	280	264	209
Total energy consumption per employee	kWh	6,392	6,436	5,447
<b>Resource usage</b>				
Purchased office paper	Tonnes	0.5	0.5	0.8
– of which sustainability labelled paper (PEFC)	Tonnes	0.5	0.5	0.8
Proportion of sustainability labelled office paper, of total purchases	%	100	100	100
Total paper consumption per employee	Kg	10.3	11.0	11.8
Paper recycling, incl. purchased and delivered paper	Tonnes	2.0	3.0	2.4
<b>Business travel</b>				
Total business travel	Km	862,896	887,488	1,319,646
Total business travel per employee	Km	8,896	9,753	15,525
Total air travel	Km	515,965	591,480	992,144
Rail travel in Sweden	Km	311,037	291,456	327,162
Total CO <sub>2</sub> emissions from business travel <sup>1</sup>	Tonnes	338.4	375.8	625.6
CO <sub>2</sub> emissions from business travel, per employee <sup>1</sup>	Tonnes	3.5	4.1	7.3

<sup>1</sup>) Effective from 2018, Kommuninvest observes a so-called RFI factor of 2.7 in its emissions calculations, with regard to the aviation industry's high altitude effects. Previously published emission values for 2017 and 2016 have been adjusted.

# Auditor's opinion regarding the statutory Sustainability Report

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

## Engagement and responsibility

It is the Board of Directors that is responsible for the Sustainability Report for the year 2018 on pages 14–21 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, 8 March 2019  
KPMG AB

Anders Tagde  
Authorised Public Accountant

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# Board of Directors' Report

- Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2017), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2017 unless otherwise indicated.
- Comments on the Income statement, Balance sheet and Statement of changes in equity are provided in connection with the statements on pages 47, 49 and 51 thereof.
- In accordance with Chapter 6, Section 11 of the Annual Accounts Act, the Kommuninvest Cooperative Society has chosen to prepare the statutory Sustainability Report separately from the Annual Report. The Sustainability Report is available on pages 14–21 of this document.

# Future local government collaboration

**Stable and cost-efficient financing remains at the heart of the operations, although external changes bring new conditions for Kommuninvest. The Company's efforts in four focus areas provide opportunities to respond optimally to these changes.**

## Operational governance

Kommuninvest's change process is being conducted in four areas of focus: *Customer/Member*, *Skills*, *Efficiency* and *Digitalisation*.



In the *Customer/Member* area of focus, the Company's ambition is for the knowledge that exists in the operations and the local government sector to support financial management skills among customers and members. Technical developments facilitate this being accomplished through products and services that support customers' and members' strategic efforts to achieve a balance sheet enabling financial management that is sustainable in the long term. Over the year, the use of Kommuninvest's digital services has increased. At the end of 2018, there were 204 (182) active user agreements for the full version of KI Finans, a tool developed specifically for debt management in the local government sector. The results of the customer survey provided a strong acknowledgement of customer satisfaction. In the survey, which is conducted every two years, Kommuninvest achieved a result of 88, compared with 86 in the previous survey from 2016. The highest degree of satisfaction was in the areas considered most important by customers.

Over the year, Kommuninvest launched its Employee Programme in the *Skills* area of focus – a skills development

initiative encompassing all Company employees. The goal is to create a platform for developmental dialogue, constructive feedback and personal development that will provide the conditions for more active and secure collaboration based on communication and participation. For more information on the Employee Programme, see page 29.

To increase the understanding of the local government sector's needs, a survey was also conducted in 2018 based on in-depth interviews with a representative sample of Kommuninvest's customers.

The *Efficiency* area of focus is to provide Kommuninvest with opportunities to offer long-term competitive financing options to all members. During the year, Kommuninvest's competitiveness was further strengthened when amended owner directives allowed significant price reductions on lending products. Projects performed to increase efficiency in internal processes have also provided conditions for clearer follow-up and a long-term sustainable cost trend.

More efficient and automated management of new loans is the main thrust of the *Digitalisation* area of focus. Over the year, new technical solutions for price information, bid requests and electronic signing of loan documents were developed and launched to customers with favourable results.

## Multi-year summary

Kommuninvest's strong growth continues and total lending passed SEK 350 billion in 2018 – an average annual increase of 11 percent over the past five years. Kommuninvest's share of the local government sector's external funding has increased from 44 to 55 percent over the same period. In recent years, the members of the Society have capitalised the Group with the target of achieving a leverage ratio of 1.5 percent. Accordingly, the Group's equity has risen from SEK 3.2 billion in 2014 to SEK 8.2 billion in 2018. As per 31 December 2018, the Group's leverage ratio amounted to 1.74 percent.

For multi-year data in table format, see page 98.

# Kommuninvest strengthens its position

**High investment volumes in the local government sector are increasing the need for external loan financing. In 2018, the Swedish local government loan market grew by SEK 36 billion to SEK 637 (601)<sup>1</sup> billion. Kommuninvest continues to strengthen its position, with the Company financing 55 (51) percent of the local government sector's total debt.**

The combination of extensive renovation needs for homes and properties built in the record years of 1965–1975 and strong population growth, requiring additional operational premises and expanded infrastructure, is driving up the local government sector's investment volumes. These investments encompass several areas of local government responsibility, including property, housing, water and sewerage, infrastructure and energy production.

Over the past three years, the local government sector's favourable results and strong cash flows have reduced the need for external financing of the investments carried out. Although the loan debt has increased by SEK 82 billion in nominal terms since 2015, it has remained largely unchanged as a percentage of GDP, at around 13 percent.

Over the past ten years, the municipal funding market has undergone major changes. As recently as in 2007, the banks accounted for two thirds of lending to Sweden's municipalities and regions. At that time, Kommuninvest was the largest individual lender with a market

share of more than 20 percent, while half a dozen larger municipalities and an equal number of municipal housing companies were active in the capital market. Ten years after the financial crisis of 2008/09, more than 20 municipalities and regions are active in the capital market. In 2018, issued local government bonds and commercial papers accounted for 31 (32) percent of the sector's financing. Financing through the banking sector and bilateral parties has continuously decreased to 14 (17) percent, despite a sharp increase in lending by the EIB and NIB in recent years. Kommuninvest grew strongly in the years following the financial crisis and has further strengthened its market share in recent years. The Company's market share has increased from 42 percent in 2014 to 55 percent in 2018.

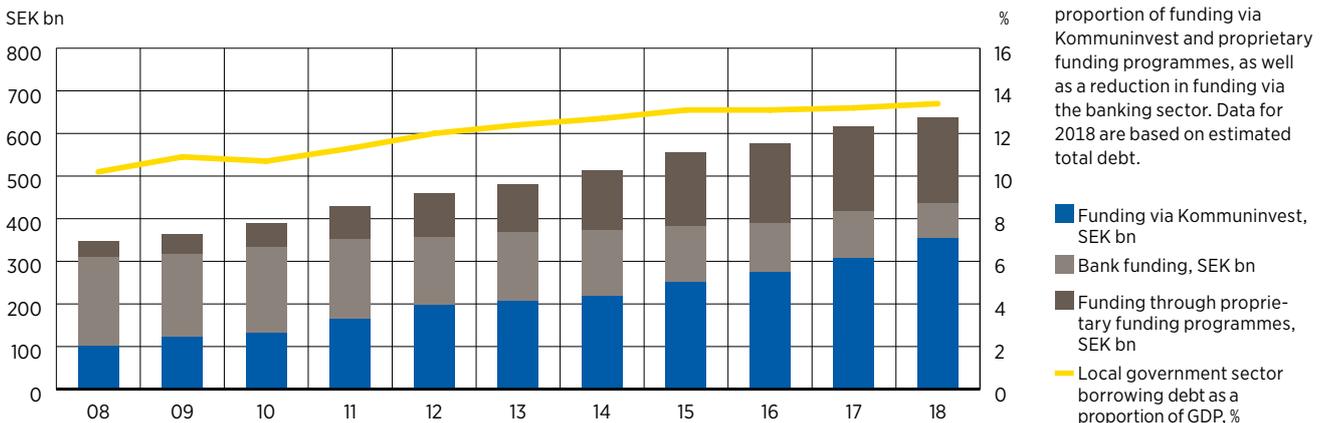
1) Forecast based on Kommuninvest's ongoing monitoring of debt and investment trends in the Swedish local government sector. At the time of publication of this Annual Report, neither the complete data for 2018, nor the municipalities' and regions' own annual reports were available. Values and shares for 2017 have been adjusted in accordance with the municipalities' and regions' own annual reports.

### Forms of local government funding

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

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

**The local government sector's borrowing debt and forms of financing 2008–2018**



The local government sector's funding over the past decade is characterised by an increased proportion of funding via Kommuninvest and proprietary funding programmes, as well as a reduction in funding via the banking sector. Data for 2018 are based on estimated total debt.

# Loans that meet customers' needs

**In 2018, Kommuninvest's lending grew to SEK 353.9 (308.0) billion. This growth reflects increased investment and funding needs among Sweden's municipalities and regions. The increase also demonstrates Kommuninvest's increased competitiveness. At the end of 2018, Kommuninvest had a total of 945 (914) active borrowers.**

## Strengthened market position

Through Kommuninvest and other capital market players, Sweden's municipalities and regions were able to efficiently meet their funding needs in 2018. Kommuninvest offers loan products with capital tied up for shorter or longer periods, based on fixed or floating interest and with or without right of early termination.

At the end of the year, lending amounted to SEK 353,946.1 (308,042.3) million in nominal terms, an increase of 15 (12) percent. The recognised value of the lending was SEK 355,710.0 (310,147.3) million. Competitiveness, expressed as the percentage of accepted bids, has remained strong for the Company. The acceptance rate for submitted bids was 99 (99) percent.

Of the agreed lending for the year, that is, new loans and renegotiations of existing loans,

85 (83) percent were loans with capital tied up for more than one year and 15 (17) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 23 (35) percent of volumes.

At the end of 2018, the Company's lending portfolio consisted of 44 (43) percent loans with fixed interest and 56 (57) percent loans with variable interest rates.

## Increased volumes of Green Loans

The volume of Green Loans granted, financing for municipal investment projects promoting the transition to low carbon emissions and sustainable growth, increased over the year. At the end of 2018, SEK 39.5 (26.9) billion in Green Loans had been granted to 232 (149) projects and to 109 (81) municipalities and regions.

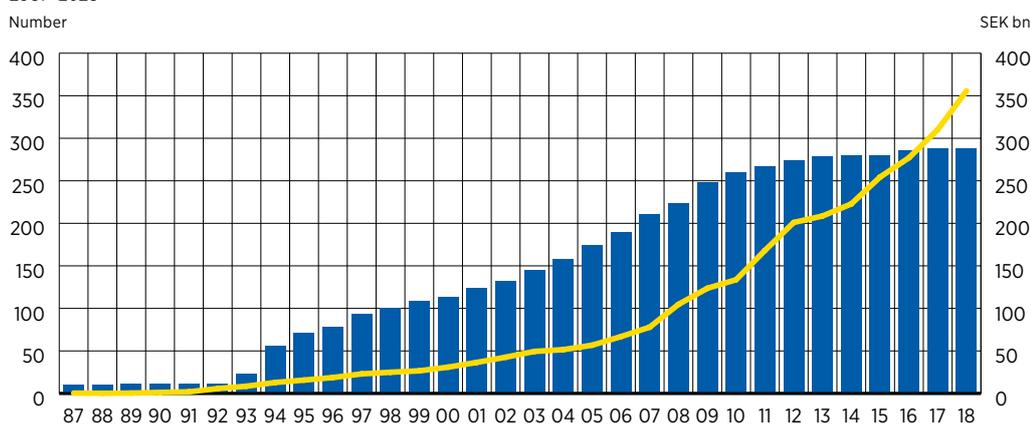
## Loans provided only to Swedish municipalities and regions

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

- Municipalities and regions that are members of the Kommuninvest Cooperative Society.
- Municipal and regionally-owned companies, in which one or several members of the Kommuninvest Cooperative Society have a holding of more than 50 percent and have also issued a guarantee for the loan.
- Municipal and regional 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

1987-2018



An increased number of members in the Society, and members choosing to place an increasingly large share of their funding 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 borrower with highest credit rating

**Kommuninvest finances its lending to municipalities and 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 funding amounted to SEK 397.4 (339.1) billion.**

## Good demand for Kommuninvest bonds

During 2018, the Company experienced continued favourable demand for the securities it issues, despite an occasionally anxious economic environment. An example of the Company's strong position in the market is the USD 2.5 billion note issued in June – the Company's largest individual transaction to date.

Over the year, the Company focused its funding efforts to its three strategic funding markets – Swedish kronor, US dollar and so-called Uridashi funding from the Japanese market. Kommuninvest strives to maintain an even distribution between domestic and international funding over time.

During 2018, two green bonds were issued, meaning the Company has issued a total of five bonds since 2016. Green bonds finance environmentally oriented investment projects in the Society's member municipalities and regions.

## Focus on increased benchmark funding

Over the year, SEK 138.8 (72.6) billion was borrowed in long-term debt instruments with maturities of more than one year. In addition, funding with potential premature redemption within one year was agreed, corresponding to

SEK 14.7 (3.2) billion. Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 48.5 (92.7) billion. Previously issued funding of SEK 17.7 (20.0) billion was repurchased. Funding 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 liquidity preparedness requirements. Long-term funding increased in 2018 compared with 2017, due to very good growth in lending and longer-term financing of the Company's liquidity reserve. A change of strategy had also been implemented in 2017, reducing borrowing needs for that year.

The Company is working actively to increase its funding in major bond programmes, referred to as benchmark programmes, both internationally and in Sweden. During the year, six major benchmark borrowings in USD were carried out.

A total of SEK 64.9 (42.7) billion was issued in the Swedish Benchmark Programme with SEK 192.7 (161.6) billion outstanding at the end of the year. In total, the Swedish Benchmark Programme encompasses nine outstanding bonds.

## Positive news for Kommuninvest's bonds during the year

Early in the year, Nasdaq decided to include the Company's Swedish benchmark bonds in its broadest and most important index for the Swedish fixed income market, OMRXALL. This inclusion is an important step in the Company's objective of establishing municipal bonds in the Swedish bond market as an option offering good liquidity.

In October, the clearing operator London Clearing House (LCH) announced that it was expanding its range of approved securities issuers whose securities are eligible as collateral to include certain so-called supranational and agencies. Kommuninvest was one of eight to be added.

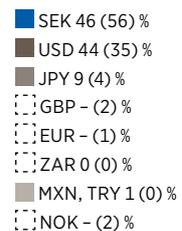
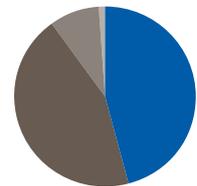
## A significant issuer of SSAs

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

## New funding by currency\*

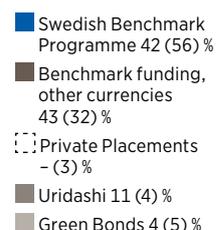
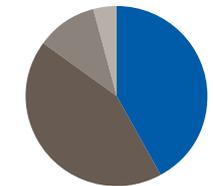
2018 (2017)



\*excl. commercial paper funding

## New funding by programme\*

2018 (2017)



\*excl. commercial paper funding

# Liquidity reserve to meet customer needs under all circumstances

To be able to continue providing customers with financing during periods of uncertainty in the financial markets, and to ensure that matured funding can be repaid in a timely manner, Kommuninvest has a liquidity reserve. At the end of the year, the reserve amounted to SEK 47.3 (36.9) billion, equivalent to 13 (12) percent of the lending volume.

## Investment rules for the liquidity reserve

- At least 90 percent of the investments are to be made in assets eligible as collateral with the Riksbank (Swedish central bank).
- The liquidity reserve may have a maximum average maturity of 12 months.
- The maximum maturity of individual investments is 39 months.

For more information, see section Risk and capital management on pages 32–36 or Kommuninvest's website, [www.kommuninvest.se/en](http://www.kommuninvest.se/en).

## Reserve with high credit quality and low risk

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. According to the Company's instructions, the liquidity reserve shall ensure 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, funding maturities and external factors. As of 31 December 2018, the liquidity reserve corresponded to 13 (12) 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. The liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of 39 months at most.

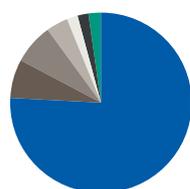
## Effective and conservative management in focus

In 2018, management was pervaded by the new strategies and instructions adopted in late 2017. Put briefly, this entails a lower-volume liquidity reserve, albeit with higher credit quality and greater ease of trade than previously. Covered bonds are approved as collateral only in connection with repo transactions. Direct investments are made primarily in securities issued by sovereigns or central banks, subsidised lenders and multilateral development banks.

At the end of 2018, 86 (88) percent of the reserve was invested in securities with the highest possible creditworthiness. 76 (58) percent consisted of investments in securities issued by issuers in Sweden. See Note 2 for further information on the Company's credit risk exposure.

### Liquidity reserve distributed by country

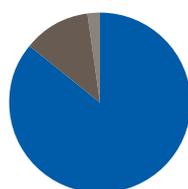
2018 (2017)



- Sweden 76 (58) %
- Supranationals 7 (13) %
- Finland 7 (7) %
- Germany 4 (13) %
- Denmark 2 (6) %
- UK 2 (0) %
- Canada 2 (3) %
- USA 0 (0) %

### Liquidity reserve distributed by rating category

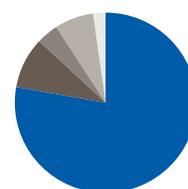
2018 (2017)



- AAA 86 (88) %
- AA 12 (10) %
- A 2 (2) %

### Liquidity reserve distributed by issuer category

2018 (2017)



- National governments or central banks 78 (62) %
- Credit institutions (subsidised lenders) 9 (21) %
- Credit institutions (bank balances) 4 (2) %
- Multilateral development banks 7 (13) %
- Regional or local governments and authorities 2 (2) %

1) Subsidised lenders refers to issuers of securities where exposures are treated as exposures to the national government in accordance with the CRR regulations. Among others, these include the Company's neighbour organisations in the other Nordic countries.

# Collaboration for greatest-possible membership benefit

**Kommuninvest fundamentally believes that its leaders and employees together perform the organisation's mission and generate benefit for the members. The process of building a strong culture reflecting Kommuninvest's local government values was further developed with the Employee Programme started in 2018.**

Kommuninvest operates in an ever-changing world that grows increasingly complex and fast-moving. The organisation, its leaders and its employees must have a high capacity for understanding the sector's current and future needs, as well as a capacity for rapid change to be able to generate the greatest possible benefit for customers and members. To build its responsiveness to developments, Kommuninvest initiated in 2018 an extensive leadership, collaboration, communication and culture drive in the form of an *Employee Programme*.

The programme comprises a total of six half days in mixed groups within the Company. Each group is led by a consultant from the Company's partner Sandahl Partners and a manager from Kommuninvest. The purpose of involving managers is to enable the Company to independently drive and develop change following the completion of the *Employee Programme* in June 2019.

With the *Employee Programme*, Kommuninvest seeks to:

- establish a shared language within the Company in terms of leadership, collaboration and communication
- grant employees opportunities for personal development and create conditions for self-leadership
- contribute to employees feeling secure in a changing world
- establish platforms for developmental dialogue between employees and managers
- increase the quality of the communicative leadership represented by Kommuninvest's managers
- engender conditions for an enhanced sense of belonging and opportunities for deeper trust between groupings.

## Strategic competence supply

One of the Company's overall focus areas is to conduct knowledge-oriented and competitive operations. The Company works actively with

skills supply to develop the expertise of employees and the organisation in line with operational objectives. Similarly, the Company works in a structured manner to attract, develop and retain employees. Kommuninvest strives to be an agile, continuously learning organisation, able to generate the greatest possible benefit for customers and members. Efforts will be intensified in 2019 at both organisational and employee levels.

## A sustainable workplace

Kommuninvest holds a holistic view of a sound workplace. To create a well-functioning and sound workplace, many different parts must be in place. In part, the efforts within the *Employee Programme* contribute to a healthy organisation. Preventive efforts regarding the physical, socio-organisational and digital work environment are also essential in building a sound workplace. Working at Kommuninvest must be safe and secure and the Company applies zero tolerance against all forms of discrimination and harassment. Kommuninvest also believes that the third pillar of a sound workplace involves the individual's ability to build a sustainable everyday life in which employees should be able to combine their professional and private lives. Kommuninvest therefore provides access to preventive healthcare at the employee level, with opportunities for occupational healthcare, coaching, training, ergonomic aids and a sustainable lifestyle.

## Employee survey 2018

The 2018 employee survey gave an ESI (Employee Satisfaction Index) of 73 (68). The result is an increase of five units since last year, indicating a good level of satisfaction and a well-functioning workplace. The outcome also indicates that efforts devoted to leadership, internal communications and cultural issues have yielded results and these will remain priority areas moving forward.

## An inclusive workplace

At Kommuninvest, everyone is welcome.

At the end of 2018, 12 percent of Kommuninvest's employees were of non-Swedish extraction. The age distribution is even across all age groups. Of the total number of employees, 45 (38) percent were women and in the Executive Management Team, the proportion of women was 43 (43) percent.

See also the compilation on page 19.



## The Municipality of Lidköping is growing

The municipal housing company AB Bostäder Lidköping anticipates that some 200 apartments will need to be built annually in the municipality until 2023, with the municipal company striving to contribute with an average of 50 apartments per year.

Four housing projects are in progress in the municipality, all of which have been financed with Green Loans from Kommuninvest.

In the autumn of 2018, approximately 160 new apartments were ready to be occupied by residents in the municipality, which is located in the County of Västra Götaland. Planning is in progress for two additional new neighbourhoods with multi-family dwellings.

What distinguishes the new properties is their sustainability approach, from start to finish. The homes and business premises are all being built in accordance with the requirements for Miljöbyggnad Silver, demanding more of a building than it simply meeting statutory requirements. The ventilation, sound environment and solar protection, for example, have been improved. With the help of Green Loans from Kommuninvest, the housing company has been able to keep financing expenses down.

In parallel with the housing projects, the Municipality of Lidköping is building two new schools, two preschools and a waste water treatment plant – all of which have been granted Green Loans by Kommuninvest.

“It will be a win-win situation. Naturally, we want to continue developing our environmental and sustainability perspective and it is good that Kommuninvest is encouraging this by lending at a more favourable interest rate for green projects,” says Karl Alexanderson, President of AB Bostäder Lidköping.

# Financial position

**At the end of 2018, equity in the Group amounted to SEK 8,248.6 (8,389.0) million). The total capital base was SEK 7,553.0 (6,899.5) million, which gave a total capital ratio of 192.8 (231.4) percent.**

At the end of the period, the balance sheet total amounted to SEK 417,211.0 (356,971.4) million, with lending to municipalities and regions accounting for most of the assets. At the end of the year, lending amounted to a recognised value of SEK 355,710.0 (310,147.3) million.

As per 31 December 2018, equity amounted to SEK 8,248.6 (8,389.0) million. The transition to IFRS 9 has affected equity negatively by SEK 8.0 million, see Note 32 for more information.

See further under Statement of changes in equity on page 51.

## Distribution of surplus in 2019

Pending a resolution by the Society's 2019 Annual General Meeting, the Society will distribute the surplus as refunds and interest on contribution capital for the 2018 financial year. In the financial statements, the Company has submitted Group contributions, for this purpose, of SEK 750.6 (987.5) million, and proposed that the surplus of SEK 717.8 (969.8) million 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 contribution capital 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 30.9 (57.9) million.

## Capital adequacy

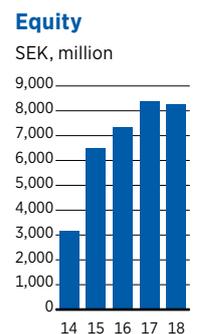
The Company is well capitalised to withstand the risks in the operations, with capital ratios exceeding the prescribed minimum requirements in Pillar I and the basic requirements in Pillar II by a good margin. The core Tier I capital amounted to SEK 7,353.0 (6,499.5) million, entailing a core Tier I capital ratio of 187.7 (218.0) percent. The total capital base was SEK 7,553.0 (6,899.5) million, which gave a total capital ratio of 192.8 (231.4) percent.

At the end of 2018, the Group's leverage ratio, reported according to CRR, was 1.74 (1.82) percent.

For further information regarding the Group's capital management, see pages 34–35 and Note 2.

## Rating

The Company has the highest credit rating, Aaa from Moody's and AAA from S&P Global Ratings. In March and July 2018, 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 Cooperative Society, the mandate the Company has from its owner to act as a local government debt office for its 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, in accordance with 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, please see Note 2 and the separate Risk and Capital Management Report, which is available at [www.kommuninvest.se/en](http://www.kommuninvest.se/en).**

## **Changes in 2018 regarding risk management and risk exposure**

All of the Group's financial operations are conducted within the Company. No material changes took place in 2018 with regard to the Company's targets, principles or methods for managing risk. Nor have the Company's exposures to different types of risk changed significantly.

## **Risk profile and risk management**

The Company's risk profile and permitted risk taking is established annually in the 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 plays a central role in the financing of the Swedish municipalities' and regions' investments. To fulfil this assignment, the Company borrows money on the financial market and lends this to customers. Although, unlike

many other credit institutions, the Company does not conduct any deposit operations and has no active trading operations, the operating model entails the Company being 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 provision, how it should be organised and how credit decisions should be documented.

The current ownership directive formulates the basic view of the Company's credit provision and its analysis model. This is 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 is afforded considerable significance in the Company's setting of limits for a municipal group, in combination with the local government authorities' own good creditworthiness, which is transferred to the municipal companies via guarantee undertakings from the local government parent.

The credit risk associated with lending to a municipally owned company is considered to be very low. According to the Articles of Association, credit may be provided 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. Provision of credit to an alliance of local government authorities requires that all members of that alliance are 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.

According to the Finance Policy, the Company shall identify the crucial factors affecting opportunities to obtain financing. These factors are to be monitored 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 funding 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 operating expenses 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 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 Board of Directors receives regular updates on risk control issues. The function is separate from the business operations and directly subordinate to the CEO. The department is headed by the CRO, who is appointed by the CEO who also reports the appointment to the Board of Directors.

**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 on compliance matters to the CEO and the Board of Directors on an ongoing basis.

Among other things, the compliance function is responsible for monitoring and controlling regulatory compliance within the licensed operations, as well as providing advice and support to the operations and the executive management on matters regarding legislation and other regulations applicable to the licensed operations.

**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, the Company's control and governance processes and for the operations being 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 and operational risks, as well as limit controls, and reports daily to the CEO 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. 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 prepares proposals regarding new members and limit adjustments for investment and derivative counterparties, as well as other credit matters 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 requiring 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 functions, as well as preparing reports to the Executive Management Team and the Board of Directors.

**Capital management**

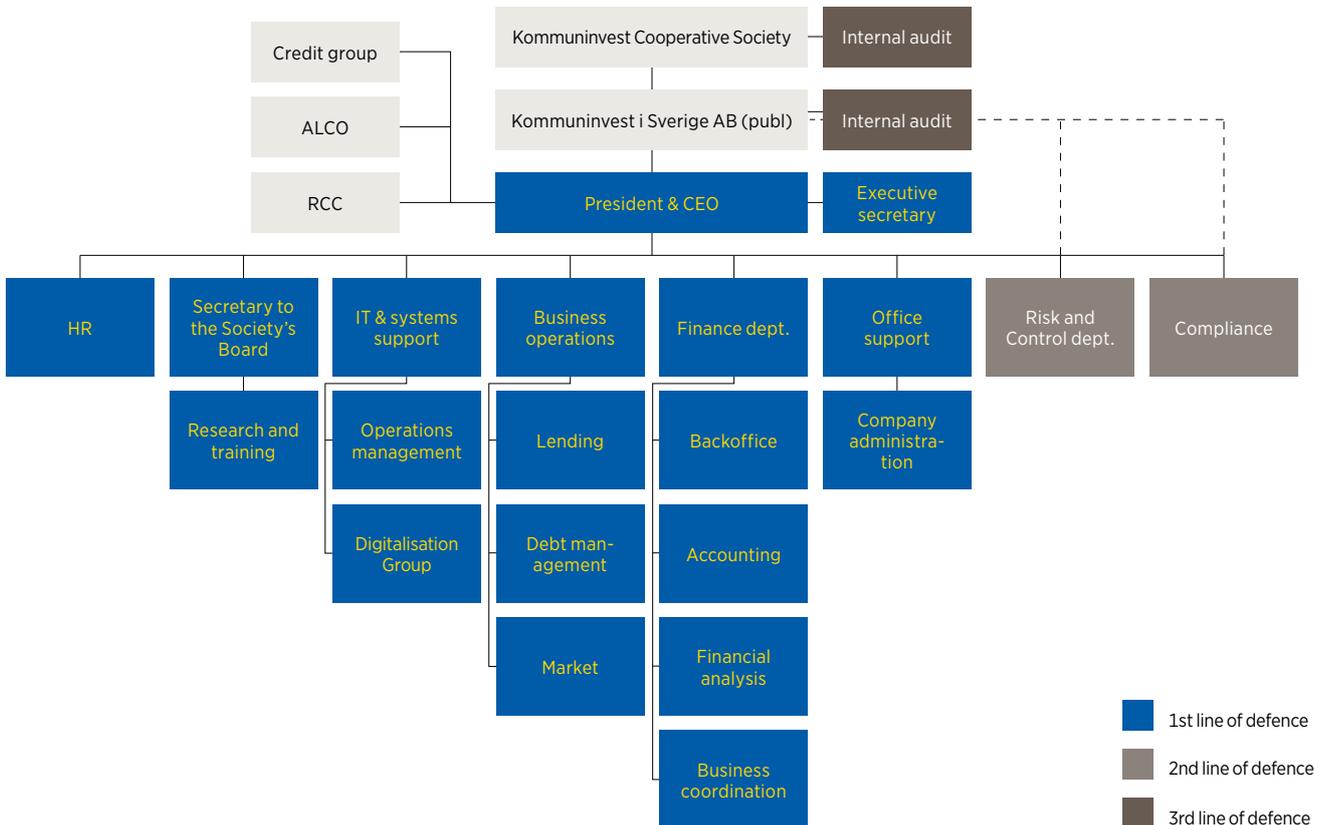
The Society's capital management serves to ensure that the operations are fully capitalised to meet the risks in the operations, as well as future regulatory requirements and increased lending.

*Capital plan and internal capital assessment*

Within the Society, a capital plan for the consolidated situation is developed annually. The capital plan describes any decisions and amendments approved by the Annual General Meeting of the Society that could affect capitalisation, such as changes in capital targets, capitalisation model or management of subordinated loans. The capital plan also includes a five-year forecast of the Group's capital base, taking into account Kommuninvest's capitalisation model and expectations regarding future member contributions.

The capital plan constitutes an important building block in the preparation of the internal capital and liquidity assessment (ICLA). Within the framework of the ICLA, the risks in the operations are mapped and an internal assessment is

**Organisational chart with the operations' three lines of defence**



made of the Group's capital and liquidity needs. The ICLA is compiled in a report approved by the Board of the Society and reported to the Swedish Financial Supervisory Authority (Finansinspektionen).

The Board of Directors of the Society bears the ultimate responsibility for the Group's risk level and capital requirements and is the body that determines the ICLA for Kommuninvest's consolidated situation. The Board of Directors of the Society also bears the overall responsibility for Kommuninvest's ICLA process and the CEO of the Society is responsible for integrating the ICLA process into the Group's ongoing operations and planning.

As per the end of the year, the capital assessment shows that Kommuninvest meets all regulatory capital requirements, see Note 2.

#### *Future leverage ratio requirements*

Effective from 1 January 2021, the planned new capital requirement measure, leverage ratio, is to be introduced in the EU. The leverage ratio is defined as the ratio between Tier I capital and total exposure in assets and commitments. 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.

At present, the so-called trilogue is in progress between the European Parliament, the Council and the Commission, and decisions on the forthcoming regulations are expected to be communicated during the first quarter of 2019. If the pro-

posals in accordance with the above are realised, lending will be deducted from the exposure measure applied in the calculation of the leverage ratio under Pillar I for the Company and the Group. Calculated in this way, Kommuninvest meets the leverage ratio of 3 percent being discussed by a good margin.

The Swedish Financial Supervisory Authority (Finansinspektionen) has, however, communicated that, in its risk assessment regarding inadequate leverage ratio, it may, under Article 98.6 of the Capital Adequacy Directive (2013/36/EU), include the total capital requirement for the consolidated situation in the Company's lending. The Swedish Financial Supervisory Authority's (Finansinspektionen) combined capital assessment for Kommuninvest currently comprises a capital requirement equivalent to a leverage ratio of 1.5 percent. Kommuninvest is participating actively in the development of the forthcoming leverage ratio requirement.

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

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

#### *Capitalisation 2018*

Within the Society, capitalisation is achieved through member contributions and distribution of surplus through refunds. In 2018, the Society's capital base increased by SEK 653.5 million.

## Kommuninvest's risk management in brief

### DESCRIPTION

### RISK MANAGEMENT

#### Credit risk

##### *Risk in credit provision*

Risk in credit provision refers to the risk that a credit counterparty is unable to meet its obligations.

Loans are only provided to members and their majority owned companies. Loans may also be made to municipal foundations and associations. The members are followed up by applying an in-house model for risk monitoring and local government analysis. Each year, the Company's Board of Directors sets a group limit for all members. The limit entails a maximum level on the Group's net consolidated debt per inhabitant. Lending 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 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 Global Ratings. 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 in 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 spreads 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 means 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 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

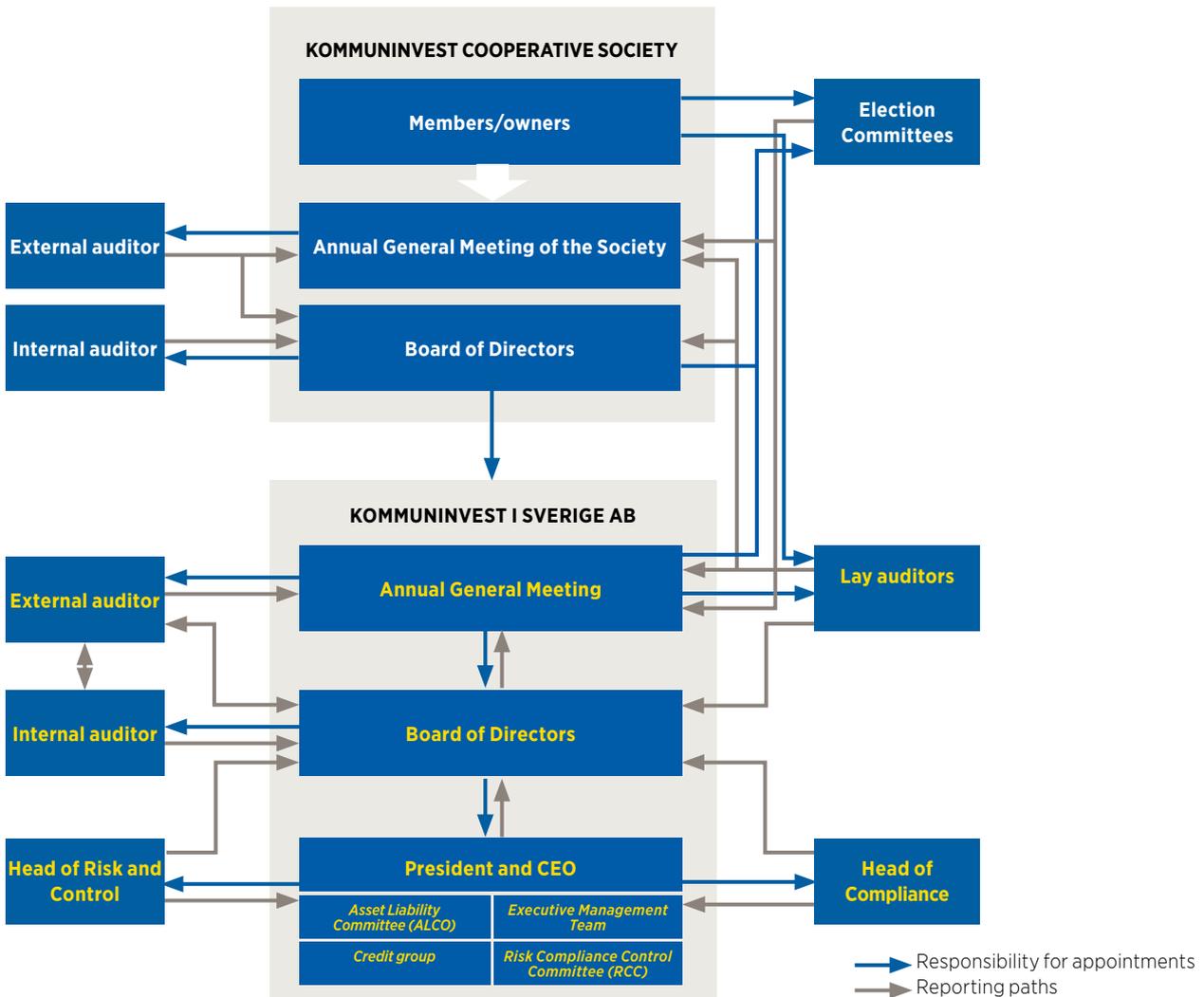
The Kommuninvest Cooperative Society ("the Society", corporate identity number 716453-2074) holds 100 percent of the shares in Kommuninvest i Sverige AB ("the Company", corporate identity number 556281-4409).

The Company holds 100 percent of the shares in Kommuninvest Fastighets AB (corporate identity number 556464-5629). On 31 December 2018, participation capital

in the Society amounted to SEK 6,889.9 (6,770.6) million. Each new member of the Kommuninvest Cooperative Society contributes participation capital to the Cooperative Society based on number of residents. At 31 December 2018, the Society had 288 (288) members.

### Governance principles

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



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

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

### **Member consultations**

To stimulate owner influence and dialogue, annual member consultations are conducted at which representatives of the Board of the Cooperative Society discuss current issues with representatives of the membership in a smaller-scale forum. Member consultations represent important fora for the preparation of matters for resolution by the Annual General Meeting. Ahead of the 2018 Annual General Meeting, member consultations were held in 18 (18) locations around Sweden, with 346 (348) participating politicians and officials.

### **Owner directives**

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

### **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 Directors of the Company sets the remuneration principles applicable within the Company, in accordance with the ownership directives. The principles are also reviewed regularly. Since the Swedish Financial Supervisory Authority (Finansinspektionen) does not consider the Company to be significant in terms of its size and complexity there is no need for a compensation committee. These duties are performed instead by the Chairman of the Board of Directors of the Company.

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

### **Annual General Meeting**

The Annual General Meeting of the Society is the Group's highest decision-making body. The 2018 Annual General Meeting was held on 26 April 2018 in Stockholm. At the Meeting, 162 (155) municipalities and regions were represented, corresponding to 56 (54) percent of the members. At the Annual General Meeting, each member has one vote. The resolutions adopted by the Meeting included:

- Annual Report.
- Interest on subscribed capital and refunds to members.
- Ownership directive to Kommuninvest i Sverige AB.
- A revised plan for Kommuninvest's build-up of capital.

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

### **Election Committees**

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

The Election Committee of the Society is elected by the Annual General Meeting based on a proposal submitted by the Board of Directors of the Society. The Election Committee of the Society's companies is appointed among the members of the Board of Directors of the Society. The Board of Directors 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 Directors of the Society, and, in part by the Board of Directors of the Company. The main principle is that the Board of Directors of the Society deals with membership and ownership issues, while the Board of Directors of the Company deals with issues involving business operations.

This means that issues concerning new members, withdrawal of members, possible exclusion from membership, guarantee issues, etc. are dealt with by the Board of Directors of the Society. The Board of Directors of the Company deals with financing issues, credit issues (such as limits and analyses),

### Election Committee of the companies owned by the Society 2018/2019

Göran Färm (S), Municipality of Norrköping, Chairman

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

Ewa-May Karlsson (C), Region Västerbotten

Margreth Johnsson (S), Municipality of Trollhättan

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

as well as other operational issues. However, the connection between the two boards is strong, since certain issues concern both the Board of Directors of the Society as well as that of the Company. However, the Board of Directors of the Society, which represents the owners, has no direct right of determination over the Board of Directors of the Company. The Society's control of the Board of Directors of the Company takes place only by means of resolutions by the Annual General Meeting or by owner directives adopted by the Annual General Meeting.

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

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

### Work of the Board of Directors in 2018

In 2018, 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
- 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
- Annual Report and interim reports

### CEO

The President is responsible for the on-going administration of the Society in accordance with the Board's guidelines and instructions. Since the Society's owners are democratically governed organisations and the Society's operations are socially beneficial in nature, the President's responsibility for on-going administration shall be limited to on-going administrative matters that are not significant in terms of principles or otherwise of special significance for the Society. If, in a particular matter, it is unclear whether the right of determination lies with the Board of Directors or the President, the President shall allow the Board to consider the matter or, if it is not possible to await the position of the Board, he shall consult the Chairman of the Board. According to the Economic Associations Act (1987:667 – Chapter 6, Section 6), the President is entitled, in certain instances, to undertake measures without the authorisation of the Board. For the reasons stated above, the President shall, in such instances observe very considerable restriction and always seek consultation with the Chairman of the Board.

### Leadership assessment

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

### Board members

Effective from the Annual General Meeting of 26 April 2018, the Board of Directors of the Kommuninvest Cooperative Society has consisted of Göran Färm (Chairman), Linda Frohm (Vice Chairman), Lilly Bäcklund, Britta Flinkfeldt, Margreth Johnsson, Therese Borg, Ewa-May Karlsson, Niklas Karlsson, Örjan Mossberg, Jonas Ransgård, Fredrik Larsson, Niclas Nilsson, Roland Åkesson, Carina Sándor and Maria Alfredsson. The members are presented on page 40.

### Analysis and Finance Committee

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

### Remunerations

The 2018 Annual General Meeting, decided on changes to fees for the Board of Directors of the Society, see Note 7, where the total fees are shown. Total fees paid to the members of the Board of Directors amounted to TSEK 1,566.1 (1,533.8) for 2018.

# 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)**  
Region Västerbotten



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



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



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



**FREDRIK LARSSON (M)**  
Region Värmland



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



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



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



**MARIA ALFREDSSON (MP)**  
Municipality of Gagnef

## 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 audit assignments, 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).

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

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

- 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.

# 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 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 commercial principles. 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 Parent 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 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 2018, the Society had 288 (288) members, of which 277 (277) were municipalities and 11 (11) were regions. Consequently, 96 (96) percent of Sweden's municipalities and 55 (55) percent of Sweden's regions were members (partners) in the Society. No new members were added during the year.

## 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 region. At the end of 2018, participation capital in the Society totalled SEK 6,889.9 (6,770.6) million. The increase is an effect of contribution capital 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 (288) members in the Kommuninvest Cooperative Society. No memberships were cancelled during 2018 and no repayment of subscription capital has been made as a consequence of membership cancellations to be made during the ensuing financial year.

## Refunds and interest on contributions

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

## Financial outcome

For 2018, the Society reported profit before tax of SEK 720.2 (974.9) million. This profit is primarily attributable to a Group contribution from the Company of SEK 750.6 (987.5) million. Profit after tax amounted to SEK 717.8 (974.8) million.

**Personnel**

The Society had no employees in 2018 and consequently no salaries were paid.

**Appropriation of surplus**

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

The profit of SEK 723,142,927 at the disposal of the Annual General Meeting of the Society be appropriated as follows:

	SEK
Interest of 1.5 percent on contribution capital is paid to members	102,089,401
Refunds be distributed to members in proportion to each member's share of the total business volume in 2018	615,736,599
To be carried forward	5,316,927
<b>Total appropriated</b>	<b>723,142,927</b>

See also Note 11 on page 82.

*That* members entitled to interest on contributions and refunds are those municipalities and regions that had become members by 31 December 2018 at the latest.

*That* interest on contribution capital and refunds are to be disbursed at the latest one month after the decision by the 2019 Annual General Meeting.

*That* business volume refers to the average borrowing debt to Kommuninvest i Sverige AB of each member during 2018. The business volume 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 192.8 (231.4) percent, compared with the requirement, including buffer requirements, of 11.5 (11.5) percent. The capital base amounts to SEK 7,553.0 (6,899.5) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 313.4 (238.5) million. A specification of items can be found in the Capital adequacy – Group section in Note 2.

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 contribution capital 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 30.9 (57.9) 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.

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# Financial statements

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# Income statement – Group

1 January – 31 December

SEK, million	Note	2018	2017
Interest revenues calculated according to effective interest method		494.0	450.6
Other interest revenues		11.3	1.7
Interest expenses calculated according to effective interest method		436.7	481.4
Other interest expenses		-69.5	-55.0
<b>NET INTEREST INCOME</b>	3	<b>872.5</b>	<b>878.7</b>
Commission expenses	4	-8.2	-7.3
Net result of financial transactions	5	161.4	512.0
<i>of which, derecognised assets measured at amortised cost</i>		0.5	0.2
Other operating income	6	7.6	6.2
<b>TOTAL OPERATING INCOME</b>		<b>1,033.3</b>	<b>1,389.6</b>
General administration expenses	7	-273.5	-273.0
Depreciation and impairment of intangible assets	18	-5.3	-4.8
Depreciation and impairment of tangible assets	19	-3.9	-4.4
Other operating expenses	8	-4.5	-3.5
<b>TOTAL EXPENSES</b>		<b>-287.2</b>	<b>-285.7</b>
<b>PROFIT BEFORE CREDIT LOSSES</b>		<b>746.1</b>	<b>1,103.9</b>
Net credit losses	9	-24.3	-
<b>OPERATING PROFIT</b>		<b>721.8</b>	<b>1,103.9</b>
Tax	10	-3.7	-28.0
<b>NET PROFIT</b>		<b>718.1</b>	<b>1,075.9</b>

# Statement of comprehensive income – Group

1 January – 31 December

SEK, million	2018	2017
<b>NET PROFIT</b>	<b>718.1</b>	<b>1,075.9</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may subsequently be reclassified to the income statement</b>		
Available-for-sale financial assets	-	24.1
Available-for-sale financial assets, transferred to the income statement	-	-35.6
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-11.5</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>718.1</b>	<b>1,064.4</b>

## Comments on the income statement – Group

### Net interest income

Over the year, Kommuninvest lowered its lending margin as a result of a new pricing strategy, which does not take unrealised changes in market value into account. For more information, see section Important events during the year on page 4. This reduction in margin had a negative impact on net interest income, but this was netted entirely by the increase in volumes over the year. Consolidated net interest income amounted to SEK 872.5 (878.7) million and was thus marginally higher than for the preceding year.

Kommuninvest grants lending at negative interest rates, which is recognised as an interest expense, amounting over the period to SEK 229.0 (161.8) million. For further information on how interest revenues and interest expenses are reported and on net interest income for the period, see Note 3.

### Net result of financial transactions

The net result of financial transactions amounted to SEK 161.4 (512.0) million. The result is mainly explained by unrealised changes in market value of SEK 164.4 (426.0) million. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. For further details, see Note 29.

The unrealised changes in market value over the year are explained by Kommuninvest having lowered its lending margin towards customers during the year, and that funding expenses in SEK became cheaper relative to funding in foreign currencies during the period. Since the liabilities only include foreign currency funding reported at fair value, the more expensive financing in USD has entailed a decrease in the margin between Kommuninvest's funding and lending expenses on the instruments that are marked to market.

For more information on the net result of financial transactions, see Note 5.

### Expenses

Total expenses amounted to SEK 287.2 (285.7) million, including the cost of resolution fee of SEK 69.1 (66.3) million.

The resolution fee is calculated as 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. Kommuninvest's resolution fee for 2018 has been set by the Swedish National Debt Office at SEK 69.1 (66.3) million. The resolution fee accounted for 24 (23) percent of Kommuninvest's total expenses for 2018.

Excluding the resolution fee, operating expenses amounted to SEK 218.1 (219.4) million, of which payroll expenses accounted for SEK 124.0 (122.3) million and other operating expenses for SEK 94.1 (97.1) million.

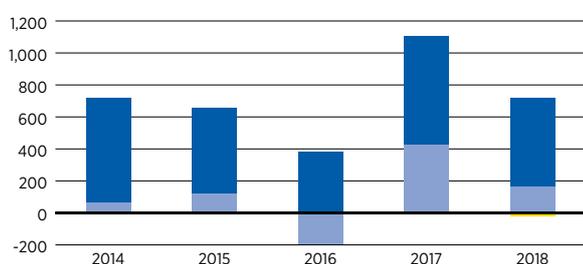
Net credit losses amounted to SEK 24.3 (–) million. Kommuninvest has not had any confirmed credit losses. All credit losses are expected credit losses calculated in accordance with the accounting standard IFRS 9, which came into force on 1 January 2018. IFRS 9 requires expected credit losses to be calculated based on a forward-looking analysis of the economic trend. For more information on credit losses, see Note 2.

### Net profit

Kommuninvest's operating profit, its profit before tax, amounted to SEK 721.8 (1,103.9) million. The operating profit includes unrealised changes in market value of SEK 164.4 (426.0) million. Excluding unrealised changes in market value, operating profit amounted to SEK 557.4 (677.9) million. The tax expense for the year recognised in the income statement amounted to SEK 3.7 (28.0) million. For further information regarding tax, see Note 10. Profit after tax amounted to SEK 718.1 (1,075.9) million.

### Operating profit before tax

SEK, million

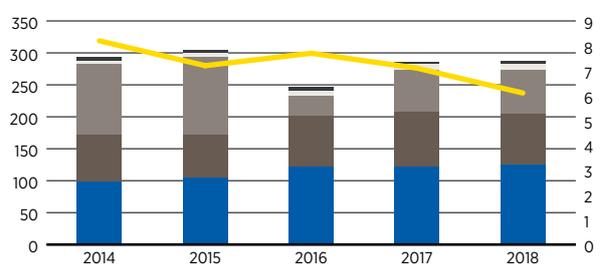


- Operating profit before tax
- Portion of profit attributable to unrealised changes in market value
- Portion of profit attributable to net credit losses

### Distribution of expenses

SEK, million

Basis points



- Payroll expenses
- Other administration expenses
- Resolution fee/stability fee<sup>1</sup>
- Depreciation and impairment of tangible and intangible assets
- Other operating expenses
- Operating expenses excl. resolution fee/stability fee in relation to lending volume, basis points

1) The resolution fee replaced the stability fee during 2016.

# Balance sheet – Group

As per 31 December

SEK, million	Note	2018	2017
<b>ASSETS</b>			
Sovereign bonds eligible as collateral	2, 12	39,230.3	24,635.8
Lending to credit institutions	2	1,870.7	698.5
Lending	2, 14	355,710.0	310,147.3
Bonds and other interest-bearing securities	2, 15	7,457.8	12,500.0
Derivatives	2, 17, 30	11,333.2	8,044.6
Intangible assets	18	15.7	10.9
Tangible assets	19	5.3	7.4
Tangible assets, lands and buildings	19	29.8	31.1
Current tax assets		78.6	80.7
Other assets	21	1,463.8	802.4
Deferred tax assets	10	0.6	0.6
Prepaid expenses and accrued revenue		15.2	12.1
<b>TOTAL ASSETS</b>		<b>417,211.0</b>	<b>356,971.4</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities and provisions</b>			
Liabilities to credit institutions	2	584.0	1,318.4
Securities issued	2	396,796.9	337,755.8
Derivatives	2, 17, 30	5,959.6	7,793.9
Other liabilities	22	4,578.3	671.0
Accrued expenses and prepaid revenues		43.4	43.2
Provisions	23	0.1	-
Subordinated liabilities	24	1,000.1	1,000.1
<b>Total liabilities and provisions</b>		<b>408,962.4</b>	<b>348,582.4</b>
<b>Equity</b>			
Participation capital		6,889.9	6,770.6
Reserves		12.0	-0.7
Profit or loss brought forward		628.6	543.2
Net profit		718.1	1,075.9
<b>Total equity</b>	26	<b>8,248.6</b>	<b>8,389.0</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>417,211.0</b>	<b>356,971.4</b>

## Comments on the balance sheet – Group

### Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 417,211.0 (356,971.4) million, with lending to municipalities and regions accounting for most of those assets. At the end of the year, lending amounted to a recognised value of SEK 355,710.0 (310,147.3) million. The increase in lending is due to a continued high need for investment in the local government sector, combined with lower lending prices, see section Net interest income on page 47. In nominal terms, lending amounted to SEK 353,946.1 (308,042.3) million.

The liquidity portfolio, consisting of the balance sheet items Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities, increased to SEK 48,558.8 (37,834.3) million.

Derivative assets (derivatives with positive market value) also increased to SEK 11,333.2 (8,044.6) million. The foremost reason for the changes in the scale of the derivative assets is the stronger USD, which increases the value of derivatives that hedge the currency risk from funding in USD.

Other assets amounted to SEK 1,463.8 (802.4) million. The increase in other assets is primarily due to collateral of SEK 1,454.4 (793.0) million being pledged. Pledged assets for derivatives cleared by central clearing counterparties are netted per counterparty and currency in the balance sheet, see further under Note 30. No right of netting applies for cash collateral pledged for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet. For more information on other assets, see Note 21.

### Liabilities

Kommuninvest's liabilities amounted to SEK 408,962.4 (348,582.4) million and funding increased to SEK 397,380.9 (339,074.2) million over the year.

Derivative liabilities (derivatives with negative market value) amounted to SEK 5,959.6 (7,793.9) million.

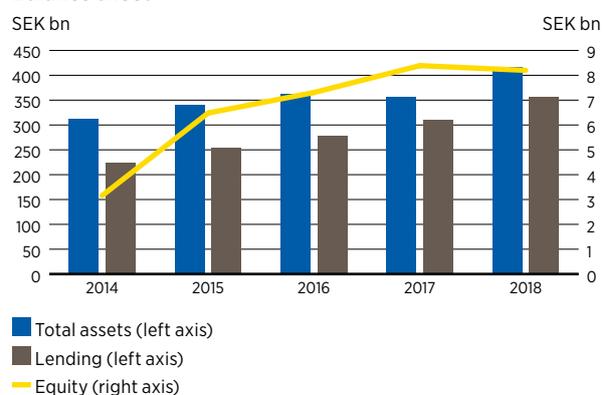
Other liabilities amounted to SEK 4,578.3 (671.0) million. Other liabilities include collateral received of SEK 4,551.8 (654.8) million. Collateral received for derivatives cleared by central clearing counterparties is netted per counterparty and currency in the balance sheet, see further under Note 30. No right of netting applies for cash collateral received for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet. Further information on other liabilities can be found in Note 22.

Subordinated liabilities comprise a 30-year subordinated loan from the Society's members to the Kommuninvest Cooperative Society. Including accrued interest, the loan amounted to SEK 1,000.1 (1,000.1) million.

### Equity

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

### Balance sheet



# Statement of changes in equity – Group

SEK, million	Participation capital	Reserves <sup>1</sup>	Profit or loss brought forward	Total equity
<b>Equity brought forward 1 January 2017</b>	<b>6,307.5</b>	<b>9.3</b>	<b>990.0</b>	<b>7,306.8</b>
<b>Total comprehensive income</b>				
Net profit			1,075.9	1,075.9
Change in development expenditure reserve for the year		1.5	-1.5	-
Comprehensive income for the year		-11.5		-11.5
<b>Total comprehensive income</b>	<b>-</b>	<b>-10.0</b>	<b>1,074.4</b>	<b>1,064.4</b>
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-445.3	-445.3
<i>New participation 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
<b>Equity carried forward 31 December 2017</b>	<b>6,770.6</b>	<b>-0.7</b>	<b>1,619.1</b>	<b>8,389.0</b>
<b>Equity carried forward 31 December 2017</b>	<b>6,770.6</b>	<b>-0.7</b>	<b>1,619.1</b>	<b>8,389.0</b>
Transition effect IFRS 9		3.8	-11.8	-8.0
<b>Equity brought forward 1 January 2018</b>	<b>6,770.6</b>	<b>3.1</b>	<b>1,607.3</b>	<b>8,381.0</b>
<b>Total comprehensive income</b>				
Net profit			718.1	718.1
Change in development expenditure reserve for the year		8.9	-8.9	-
Comprehensive income for the year				-
<b>Total comprehensive income</b>	<b>-</b>	<b>8.9</b>	<b>709.2</b>	<b>718.1</b>
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-969.8	-969.8
<i>New participation capital during the period</i>				
Participation capital from new members of the Society				-
Contributions from existing members	119.3			119.3
<b>Equity carried forward 31 December 2018</b>	<b>6,889.9</b>	<b>12.0</b>	<b>1,346.7</b>	<b>8,248.6</b>

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 amortisation reversed from the reserve to unrestricted equity.

	31 Dec 2018	31 Dec 2017
Available-for-sale financial assets	-	-3.8
Development expenditure reserve	12.0	3.1
	<b>12.0</b>	<b>-0.7</b>

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

## Comments on the statement of changes in equity - Group

### Equity

At the end of 2018, total equity in Kommuninvest amounted to SEK 8,248.6 (8,389.0) million. Over the period, equity was mainly affected by net profit for the year of SEK 718.1 (1,075.9) million and by the distribution of SEK 969.8 (445.3) million in surpluses to the members of the Society based on refunds and interest on contribution capital for the 2017 financial year. In addition, contribution capital of SEK 119.3 (463.1) million was received from the members of the Society during the year. For further information regarding distribution of surplus and the build-up of capital through capital contributions, see page 31 and pages 34–35.

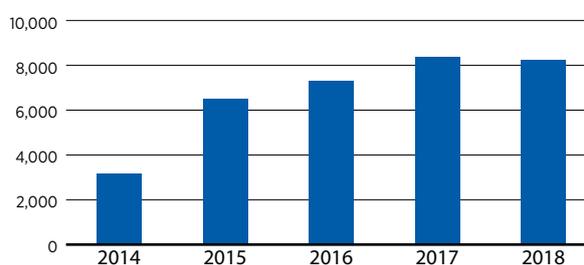
The transition to IFRS 9 has affected equity negatively by SEK 8.0 million, see Note 32 for more information.

The development expenditure reserve of SEK 12.0 (3.1) million corresponds to capitalised development expenditure in-house, adjusted by a proportional share of depreciation transferred back from the reserve to unrestricted equity.

For further information on equity in the Group and the Society, see Note 25 and 26.

### Equity

SEK, million



# Cash flow statement – Group

1 January – 31 December

SEK, million	2018	2017
<b>Operational activities</b>		
Operating profit	721.8	1,103.9
Adjustment for items not included in cash flow	-130.4	-416.6
Income tax paid	-1.6	-8.0
	<b>589.8</b>	<b>679.3</b>
Change in liquidity portfolio	-9,564.7	19,661.8
Change in lending	-45,915.2	-33,877.0
Change in other assets	-663.6	-791.0
Change in other liabilities	3,907.6	657.8
<b>Cash flow from operational activities</b>	<b>-51,646.1</b>	<b>-13,669.1</b>
<b>Investment activities</b>		
Acquisitions of intangible assets	-11.0	-2.1
Acquisition of tangible assets	-0.5	-3.1
Divestments of tangible assets	-	0.2
<b>Cash flow from investment activities</b>	<b>-11.5</b>	<b>-5.0</b>
<b>Financing activities</b>		
Issue of interest-bearing securities	202,020.3	147,432.9
Redemption and repurchases of interest-bearing securities	-148,339.2	-134,228.9
Distribution of surplus as refunds and interest	-969.8	-445.3
Participation capital from new members of the Society	-	40.7
Contributions from existing members	119.3	422.4
<b>Cash flow from financing activities</b>	<b>52,830.6</b>	<b>13,221.8</b>
<b>Cash flow for the year</b>	<b>1,173.0</b>	<b>-452.3</b>
<b>Cash and cash equivalents at start of the year</b>	<b>698.5</b>	<b>1,150.8</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,871.5</b>	<b>698.5</b>
Cash and cash equivalents consist in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
<b>Adjustment for items not included in cash flow</b>		
Depreciation and impairment	9.2	9.2
Profit from divestments of tangible assets	-	0.3
Exchange rate differences from change in financial assets	0.5	-0.1
Unrealised changes in market value	-164.4	-426.0
Net credit losses	24.3	-
<b>Total</b>	<b>-130.4</b>	<b>-416.6</b>
<b>Interest paid and received, included in the cash flow</b>		
Interest received <sup>1</sup>	352.2	371.0
Interest paid <sup>2</sup>	1,260.6	277.3

1) 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.

2) Reported as interest paid 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

2018	Opening balance	Cash flows	Currency exchange fluctuations	Fair value change	Group contributions	Closing balance
Funding, incl. derivatives	338,823.5	53,681.1	0.5	-497.8	-	392,007.3
<b>Total</b>	<b>338,823.5</b>	<b>53,681.1</b>	<b>0.5</b>	<b>-497.8</b>	<b>-</b>	<b>392,007.3</b>

# Income statement – Parent Society

1 January – 31 December

SEK, million	Note	2018	2017
Operating expenses	7	-17.5	-16.6
<b>Operating profit</b>		<b>-17.5</b>	<b>-16.6</b>
<b>Financial revenues and expenses</b>			
Revenues from participations in Group companies, Group contributions		750.6	987.5
Revaluation of financial fixed asset		-	6.5
Interest expenses	3	-0.2	-0.4
Interest revenues, subordinated loan	3	-	9.7
Interest expenses, subordinated loan	3	-12.7	-11.8
<b>Total financial income and expenses</b>		<b>737.7</b>	<b>991.5</b>
<b>Loss after financial items</b>		<b>720.2</b>	<b>974.9</b>
<b>Profit before tax</b>		<b>720.2</b>	<b>974.9</b>
Tax	10	-2.4	-0.1
<b>NET PROFIT</b>		<b>717.8</b>	<b>974.8</b>

# Statement of comprehensive income – Parent Society

1 January – 31 December

SEK, million	2018	2017
<b>Net profit</b>	<b>717.8</b>	<b>974.8</b>
Other comprehensive income	-	-
<b>Comprehensive income for the year</b>	<b>717.8</b>	<b>974.8</b>

# Balance sheet – Parent Society

As per 31 December

SEK, million	Note	2018	2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares and participations in subsidiaries	16	7,100.0	7,100.0
<b>Total fixed assets</b>		<b>7,100.0</b>	<b>7,100.0</b>
<b>Current assets</b>			
<i>Receivables</i>			
Prepaid expenses and accrued revenue		0.5	0.1
Receivables from subsidiaries	20	1,639.8	1,752.3
Other current assets		0.1	-
<b>Total current assets</b>		<b>1,640.4</b>	<b>1,752.4</b>
Lending to credit institutions	13	18.7	36.3
<b>TOTAL ASSETS</b>		<b>8,759.1</b>	<b>8,888.7</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Participation capital	25	6,889.9	6,770.6
Statutory reserve		140.3	140.3
Profit or loss brought forward	11	5.3	0.3
Net profit	11	717.8	974.8
<b>Total equity</b>		<b>7,753.3</b>	<b>7,886.0</b>
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Subordinated liabilities	24	1,000.1	1,000.1
<b>Total long-term liabilities</b>		<b>1,000.1</b>	<b>1,000.1</b>
<i>Current liabilities</i>			
Accounts payable, trade	22	0.5	0.4
Tax liabilities	22	2.4	0.4
Other current liabilities	22	0.4	0.3
Accrued expenses and prepaid revenues		2.4	1.5
<b>Total current liabilities</b>		<b>5.7</b>	<b>2.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,759.1</b>	<b>8,888.7</b>

# Statement of changes in equity

## – Parent Society

SEK, million	Participation capital	Statutory reserve <sup>1</sup>	Unrestricted equity	Total equity
<b>Equity brought forward 1 January 2017</b>	<b>6,307.5</b>	<b>140.3</b>	<b>445.6</b>	<b>6,893.4</b>
Net profit			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 participation 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
<b>Equity carried forward 31 December 2017</b>	<b>6,770.6</b>	<b>140.3</b>	<b>975.1</b>	<b>7,886.0</b>
<b>Equity brought forward 1 January 2018</b>	<b>6,770.6</b>	<b>140.3</b>	<b>975.1</b>	<b>7,886.0</b>
Net profit			717.8	717.8
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as refunds and interest			-969.8	-969.8
Allocation to statutory reserve				-
<i>New participation capital during the year</i>				
Participation capital from new members of the Society				-
Contributions from existing members	119.3			119.3
<b>Equity carried forward 31 December 2018</b>	<b>6,889.9</b>	<b>140.3</b>	<b>723.1</b>	<b>7,753.3</b>

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

# Cash flow statement – Parent Society

1 January – 31 December

SEK, million	2018	2017
<b>Operational activities</b>		
Loss after financial items	720.2	974.9
Adjustment for items not included in cash flow	-750.6	-994.0
Income tax paid	-0.4	-7.6
	<b>-30.8</b>	<b>-26.7</b>
Change in accounts payable, trade	0.1	0.0
Change in other liabilities	1.0	1.1
Change in other assets	-0.5	0.1
<b>Cash flow from operational activities</b>	<b>-30.2</b>	<b>-25.5</b>
<b>Financing activities<sup>1</sup></b>		
New share issue in subsidiary	-	-1,000.0
Repurchase of subordinated loan	-	1,000.0
Distribution of surplus as refunds and interest	-969.8	-445.3
Participation capital from new members of the Society	-	40.7
Contributions from existing members	119.3	422.4
Change in intra-Group liabilities	863.1	26.2
<b>Cash flow from financing activities</b>	<b>12.6</b>	<b>44.0</b>
<b>Cash flow for the year</b>	<b>-17.6</b>	<b>18.5</b>
<b>Cash and cash equivalents at start of the year</b>	<b>36.3</b>	<b>17.8</b>
<b>Cash and cash equivalents at end of the year</b>	<b>18.7</b>	<b>36.3</b>
Cash and cash equivalents consists in their entirety of cash and bank balances.		
<b>Adjustment for items not included in cash flow</b>		
Group contributions not received	-750.6	-987.5
Revaluation of financial fixed asset	-	-6.5
<b>Cash flow from financing activities</b>	<b>-750.6</b>	<b>-994.0</b>
<b>Interest paid and received, included in the cash flow</b>		
Interest received	-	9.7
Paid interest	-12.9	-12.2

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

# Notes

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

## Note 1 Accounting principles

The Annual Report was approved for publication by the Board of Directors on 6 March 2019. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 11 April 2019.

### Compliance with standards and legislation

The accounting principles are in line with those applied in the 2017 Annual Report, with the exception of amendments caused by new IFRS standards coming into effect on 1 January 2018. The comparative figures have not been recalculated.

Disclosures on the nature and extent of risks arising from financial instruments are provided on pages 32–36 in the Board of Directors' Report and in Note 2.

### 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 (Finansinspektionen) 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

Kommuninvest has amended its accounting principles in relation to two new IFRS standards that came into effect on 1 January 2018, IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. No comparative figures have been recalculated with regard to the 2017 Annual Report. The effect of the introduction of IFRS 9 has been adjusted in equity, see Note 32. IFRS 15 has not caused any transitional effects in the balance sheet. The 2018 Annual report for has also been adapted in accordance with changes in IFRS 7 Financial Instruments: Disclosures.

Other new or amended laws, standards and interpretations introduced during the year have not had any material effect on Kommuninvest's net profit, position, disclosures, capital requirements, capital base or major exposures.

### IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, has replaced IAS 39 Financial Instruments: Recognition and Measurement and consists of three parts: classification and valuation, impairment and hedge accounting. The effect of the transition to IFRS 9 is described in

Note 32. Comparative figures have not been recalculated. Transitional rules regarding the impact of impairment on the capital base have not been applied.

For Kommuninvest's valuation of Lending and Lending to credit institutions, the transition to IFRS 9 entailed no change in valuation. For the items Sovereign bonds eligible as collateral and Bonds and other interest-bearing securities, the transition to IFRS 9 meant that the investments classified as available-for-sale assets under IAS 39 have been reclassified at amortised cost on the transition to IFRS 9. The revaluation has reduced opening equity by SEK 0.8 million. The accounting and valuation of financial liabilities has not changed on the transition to IFRS 9. For further information, see section Financial instruments and Note 32.

The new principles regarding the impairment of financial assets entail a model that is based on expected, rather than established, credit losses. The expected credit losses on the transition to IFRS 9 amounted to SEK 7.2 million, by which opening equity was adjusted as per 1 January 2018. For further information and the calculation model for credit losses, see section Credit losses and impairments of financial instruments and Note 2.

Kommuninvest has chosen to apply the exemption rule in IFRS 9 and will continue to apply hedge accounting in accordance with IAS 39. Disclosures on hedge accounting have been adapted to the new disclosure requirements, see Note 17.

### IFRS 15 Revenue from contracts with customers

IFRS 15 is a new accounting standard for revenue from customer contracts and replaces current standards and interpretations for revenue recognition under IFRS. IFRS 15 does not apply to financial instruments. The impact of the standard on Kommuninvest's net profit, position, disclosures, capital requirements, capital base or large exposures is intangible and has not caused any transitional effect in Kommuninvest's financial reports. No adjustment attributable to IFRS 15 has been made to the opening balance.

Kommuninvest has a financial management service, KI Finans, which is affected by IFRS 15 and reported under Other operating income. The performance commitment for the service extends over a calendar year and is invoiced and paid for by the customer during the year, meaning that no contractual asset or contractual liability is entered in the balance sheet. For further information on revenue recognition and disclosures relating to IFRS 15, see section Other operating income and Note 6.

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

Of the new standards and interpretations coming into force after 2018, 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 net profit, position, disclosure, capital requirements, capital base or major exposures.

### IFRS 16 Leases

IFRS 16, Leases, is a new leasing standard that will come into effect on 1 January 2019, replacing IAS 17 Leases. A key differ-

*Note 1, continued*

ence in the new lease standard is that leases are no longer classified as financial or operating for lessees. Instead, an accounting model is introduced in which the leases are included in the balance sheet as rights of use and leasing debt. The leasing expenses are divided between net interest income and depreciation over the term of the lease.

Kommuninvest's leasing activities do not form part of the core operations, the transition is immaterial and will adjust the opening balance as per 1 January 2019. No comparative figures will be recalculated and the transition will be made applying a simplified method, and rights of use will be valued at the same amount as the leasing debt, with no transitional effects therefore arising in equity. On transition to IFRS 16, Kommuninvest will continue to classify all agreements classified as leases under IAS 17 as leases under IFRS 16. Under most of Kommuninvest's leases, the underlying assets are of low value and will be reported directly in the income statement.

The impact of the standard is immaterial in relation to Kommuninvest's earnings, position, disclosures, capital requirements, capital base or large exposures.

**Significant judgements and assumptions**

The preparation of the Annual Report includes judgements and assumptions that affect the accounting and supplementary disclosures. The most important judgements when applying accounting principles concern how financial instruments are classified and assessed, as explained below in the section Financial instruments. Note that there are different sections for the financial years 2017 and 2018 since IAS 39 was applied in 2017 and IFRS 9 was applied in 2018. The accounting principles for 2017 have been compressed to describe, in particular, the differences between 2017 and 2018. For the complete accounting principles for 2017, see the Annual Report for the 2017 financial year, pages 57–61. For assets and liabilities valued at fair value, their value is affected by the assessment of whether the available market prices are based on an active market. When determining the fair value of financial instruments not traded in an active market, Kommuninvest applies valuation techniques and then makes assumptions that may be associated with uncertainty. Note 29 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 in cases of accounting mismatches 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 29.

With regard to Kommuninvest's business model for financial assets, this has been assessed as being to hold such assets to maturity. During the year, the purpose of the business model did not change and the assessment is that the business model has both been complied with during the year and that its purpose of receiving contractual cash flows remains. This assessment has taken into account an evaluation of sales during the year and the fact that the Company's Finance Policy remains unchanged. For more information on the net result of financial transactions, see Note 5.

Kommuninvest calculates expected credit losses in accordance with IFRS 9 on financial assets valued at amortised cost. The calculation of expected credit losses includes application of forward-looking scenarios and assumptions. Accordingly, the method for determining expected credit losses is associated with uncertainty. Note 2 describes the choice of method and its assumptions.

**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.

**Subsidiaries**

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

**Interest revenues and interest expenses**

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

- Interest on financial assets and liabilities measured at amortised cost.
- Interest from financial assets classified as available-for-sale measured at fair value through the income statement.
- Interest on derivatives that are hedging instruments and for which hedge accounting is applied.
- Interest on financial assets classified as available-for-sale financial assets.

Interest revenues and interest expenses on lending, interest-bearing securities, Liabilities to credit institutions and derivatives are calculated and reported by applying the effective interest method. Where applicable, interest revenues and interest expenses include periodised amounts with regard to transaction expenses.

Interest revenues consist of interest revenue from loans and investments, as well as interest revenues and interest expenses from derivatives hedging loans and investments.

In accordance with the effective interest method, interest expenses consist of interest expenses on funding, as well as interest revenues and interest expenses from derivatives hedging funding.

Since derivative contracts allow interest to be received in the payment leg, the prevailing interest situation means, in many cases, that Kommuninvest has received interest on funding and its derivative hedging. This has led to total interest expenses being positive.

*Note 1, continued*

Kommuninvest grants lending at negative interest rates, these negative interest revenues being reported as interest expenses.

Other interest revenues and other interest expenses include interest on collateral pledged and received, as well as operating expenses for rating and funding programmes.

Following an amendment to IAS 1, paragraph 82a, according to the effective interest method, interest revenues must be specified separately in the income statement. This has led to a change in the income statement with a new breakdown under net interest income. Kommuninvest has also chosen to specify interest expenses according to the effective interest method on a separate line for a more uniform and consistent presentation. This division has also been made in Note. For more information on how interest revenues and interest expenses are reported, 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 the fair value on assets and liabilities recognised at fair value through the income statement, divided between Held for trade, Compulsory or through application of the Fair value option.
- Unrealised changes in fair value on derivatives where hedge accounting of fair value is applied.
- Unrealised changes in fair value on hedged items with regard to hedged risk in hedging of fair value.
- Unrealised changes in fair value on assets with changes in value in other comprehensive income.
- 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, securities issued, derivatives, subordinated liabilities and other financial liabilities. For further information, see Note 29.

**Recognition in and removal from the balance sheet**

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

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

Financial assets and financial liabilities are netted and recognised at a net amount in the balance sheet only where there is a legal right to netted 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.

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

**Classification and measurement of financial instruments (IFRS 9)**

Since 1 January 2018, Kommuninvest applies IFRS 9 and financial assets are classified based on Kommuninvest's business model. The business model is identified at portfolio level and reflects how the portfolio's financial assets are managed together to achieve a specific business objective.

Possible business models for financial assets are:

- Hold to maturity.
- Hold to maturity and sell.
- Held for trade or evaluated on a fair value basis.

Kommuninvest's financial assets are divided into three portfolios: lending portfolio, liquidity portfolio and other. All portfolios are deemed to have the same business objectives, to receive contractual cash flows, and the business model is to hold to maturity. To ensure that cash flows consist only of capital amounts and interest on principal, SPPI tests are carried out continuously on Kommuninvest's new assets. An SPPI test was also carried out on existing ledgers in connection with the transition to IFRS 9. As per 31 December 2018, Kommuninvest had no assets that had failed the SPPI test. The classification of the business model and the outcome of the SPPI test affects Kommuninvest's valuation of financial assets.

Financial instruments can be valued according to the categories:

- Amortised cost.
- Fair value through other comprehensive income.
- Fair value through the income statement, divided between Held for trade, Compulsory or Fair value option

**Amortised cost**

When the business model for financial assets is to hold to maturity and cash flows consist solely of capital amounts and interest on principal, that is, they pass the SPPI test, the financial assets shall be valued at amortised cost. This means that Kommuninvest's valuation of financial assets is based on amortised cost since the business model for all of Kommuninvest's instruments is to hold to maturity and all assets are deemed to have cash flows consisting only of capital amounts and interest on principal.

Where there is no accounting mismatch, financial liabilities are valued at amortised cost. Financial liabilities include the items liabilities to credit institutions, securities issued and other financial liabilities, such as marginal collateral received and accounts payable.

**Fair value through other comprehensive income**

Since Kommuninvest's business model is not to hold to maturity and sell, it has no financial instruments in the valuation category Fair value through other comprehensive income.

**Fair value through the income statement**

The valuation category Fair value through the income statement is divided between Held for trade, Compulsory and Fair value option.

*Note 1, continued*

Kommuninvest's derivatives that are held for financial hedging, but not included in hedge accounting, are reported under the valuation category Held for trade for liability derivatives and Compulsory for asset derivatives.

If Kommuninvest has a financial asset that fails the SPPI test, the instrument is valued in the category Compulsory fair value through the income statement.

Kommuninvest applies the fair value option where accounting mismatches have been identified. Accounting mismatches occur when an instrument is hedged with one or more derivative contracts to minimise market risks without applying hedge accounting. As derivatives are valued at fair value through the income statement but not the hedged item, accounting mismatches occur. When this is the case, the financially hedged item is also valued at fair value through the income statement through the fair value option. This would result in accounting mismatches if the derivative were measured at fair value through the income statement but not the hedged item.

Financial liabilities in the category Fair value through the income statement refer primarily to funding at fixed interest and structured funding, that is, loans that are subject to cancellation and/or that have coupon payments that are variable, but not connected to the interbank rate. The reason for fixed-rate funding being identified in this category is that such funding is hedged financially with a derivative without applying hedge accounting. This would result in accounting mismatches if derivatives were measured at fair value through the income statement but not the funding.

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

**Classification and measurement of financial instruments (IAS 39)**

The comparative figures for financial instruments from the 2017 financial year have been reported in accordance with IAS 39 and have not been recalculated.

In accordance with IAS 39, a financial instrument is classified partly based on the reason for its purchase, but also on the options included in the standard. 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 the income statement**

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. The criteria for accounting mismatches are the same as for IFRS 9.

The second sub-group also includes liabilities to credit institutions and securities issued, the principles being in accordance with the principles for financial liabilities in IFRS 9.

**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 amortised cost and recognised in the amount estimated to be paid, i.e. with a deduction for doubtful receivables. This includes lending to credit institutions and certain other lending.

**Available-for-sale financial assets**

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

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

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

**Other financial liabilities**

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

**Hedge accounting**

Kommuninvest has chosen to continue applying, until further notice, IAS 39 regarding hedge accounting and the principles have therefore remain unchanged between 2017 and 2018. Changes have, however, been made in the supplementary disclosures to meet new disclosure requirements, see Note 17.

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 the income statement 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 impairments on financial instruments (IFRS 9)**

Since the introduction of IFRS 9 on 1 January 2018, Kommuninvest has begun to calculate expected credit losses on financial assets valued at amortised cost. Loss provisions are also made for off-balance sheet commitments, which for Kommuninvest consist of committed undisbursed loans, liquidity guarantees and building loans. Kommuninvest has no confirmed credit losses.

The special status of the local government authorities in the Swedish constitution and their right to levy taxes mean that municipalities and regions cannot be declared bankrupt.

*Note 1, continued*

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

Changes in expected credit losses are reported in the income statement under the item Net credit losses. Expected credit losses are reported in the balance sheet as an impairment of the recognised value of assets which, according to IFRS 9, are subject to impairment. Loss provisions on off-balance sheet items are reported as provisions in the balance sheet.

For information on credit losses and the calculation model, see Note 2 and for the effect on earnings of credit losses, see Note 9. Since Kommuninvest has no credit losses recognised in accordance with IAS 39, there are no disclosures of comparative figures in connection with the transition to IFRS 9.

**Credit losses and impairments on financial instruments (IAS 39)**

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

Where there are objective indications for the need to recognise impairment of a financial asset reported at amortised 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 impairment was necessary 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 straight-line basis over the estimated useful life of the intangible asset, effective from the month in which the asset is acquired and thus used. 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 Kommuninvest will derive future economic benefit 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. The gain or loss that 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 straight-line basis over the estimated useful life of the asset, effective from the month in which the asset is acquired and thus used. 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 during 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 endowment policy was dissolved in 2017.

The year's expenses for 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 payroll expenses. Other expenses included in administrative expenses are the resolution fee, expenses for consultants, premises, IT, travel, rating, market data and other. For further information, see Note 7.

**Other operating income**

Other operating income consists primarily of the financial management service KI Finans, which Kommuninvest provides to the members of the Kommuninvest Cooperative Society. The members who have chosen to use this service pay an annual fee to Kommuninvest, which is reported under other operating income.

Revenue from KI Finans has been reported in accordance with IFRS 15 since 1 January 2018. IFRS 15 is a new standard for revenue recognition based on a five-step model in which the Company shall:

- Identify the contracts with the customer: This step is only met by revenue associated with KI Finans, since the criteria according to which a customer exists are not met for the remaining revenue items in this section.
- Identify the performance commitment: The contract entitles the customer to access a distinct service, with control being considered to have been transferred as per 1 January, since

Note 1, continued

the contracts are valid by calendar year. The performance commitment is met over time during the term of the contract.

- Determine the transaction price: The terms of the transaction price are specified in contracts and are always fixed. No adjustment is made to the transaction price for any material financing component, since the contracts are valid for one year, with payment occurring within that year.
- Allocate the transaction price to the performance commitment: The transaction price for the service can be allocated to the customer's entitlement, in accordance with the contract, to utilise the financial management service, which is also Kommuninvest's performance commitment.
- Revenue recognition: Kommuninvest recognises revenue for KI Finans during the contract period when the customer is entitled to access the service, meaning that revenue for the financial management service is allocated over the calendar year.

In connection with the contracts, Kommuninvest has no specific expenses that are paid by the customer. Current expenses related to KI Finans are expensed.

The transition to IFRS 15 has not entailed any change in Kommuninvest's revenue recognition in the financial statements compared with the preceding period. For further information, see Note 6.

**Other operating expenses**

Other operating expenses primarily include expenses for marketing and insurance.

**Leasing**

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

**Tax**

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 participation capital in the Kommuninvest Cooperative Society as consolidated equity, since the participation 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 operational activities, investment activities and financing activities. Operating activities mainly include changes in lending and the liquidity portfolio. Investing activities encompass investments in tangible and intangible assets. The financing activities shows the issue and redemption/repurchase of securities issued. Kommuninvest applies the exemption rule in IAS7:23 and reports issues of less than three months net. The financing activities also include a new share issue and change in consolidated debt.

**Segment reporting**

Kommuninvest does not prepare segment reports since it has only one segment: lending to members. All operations are conducted in Sweden and all customers are domiciled in Sweden. Kommuninvest has no single customer who accounts for 10 percent 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. IFRS 9 is not applied – instead, financial instruments are reported based on acquisition value and with shares in subsidiaries being carried at acquisition value. 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/en](http://www.kommuninvest.se/en)). Also shown under each area of risk are the current exposure and estimated capital requirement.

No material changes took place in 2018 with regard to the Company's targets, principles or methods for managing risk. Nor have the Company's exposures to different types of risk changed significantly.

**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: Risk in credit provision 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, which relate to the Company's total exposure to the counterparty. Maturity limits are determined by the President based on the counterparty's creditworthiness. When the Company assesses 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.

## Note 2, continued

The Group's credit risk exposures are presented in the table below. For 2017, only the recognised value is stated, since the Company had no provisions for expected credit losses under IAS 39. All provisions for 2018 pertain to stage 1.

Credit risk exposure	2018					2017		
	Recognised gross value	Expected credit losses	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement
<b>Credit provision</b>								
Lending to municipalities and municipal companies <sup>2</sup>	355,738.5	-28.5	355,710.0	-	-	310,147.3	-	-
- Risk category 1	230,784.0	-17.4	230,766.6	-	-	200,626.6	-	-
- Risk category 2	113,889.9	-10.1	113,879.8	-	-	99,526.2	-	-
- Risk category 3	4,853.6	-0.4	4,853.2	-	-	4,274.9	-	-
- Risk category 4	6,211.0	-0.6	6,210.4	-	-	5,719.6	-	-
<b>Investments</b>								
Sovereign bonds eligible as collateral	39,232.4	-2.1	39,230.3	-	-	24,635.8	-	-
- AAA	37,071.9	-2.1	37,069.8	-	-	21,221.4	-	-
- AA	1,254.0	-	1,254.0	-	-	2,575.9	-	-
- A	906.5	-	906.5	-	-	838.5	-	-
Bonds and other interest-bearing securities	7,457.8	-	7,457.8	-	-	12,500.0	-	-
- AAA	5,064.5	-	5,064.5	-	-	11,785.3	-	-
- AA	2,393.3	-	2,393.3	-	-	714.7	-	-
Lending to credit institutions	1,871.4	-0.7	1,870.7	374.1	29.9	698.5	139.7	11.2
- AA	1,871.4	-0.7	1,870.7	374.1	29.9	698.5	139.7	11.2
<b>Derivatives</b>								
Derivatives	11,333.2	-	11,333.2	-	-	8,044.6	-	-
- AA	4,269.5	-	4,269.5	-	-	3,538.0	-	-
- A	6,311.1	-	6,311.1	-	-	3,932.3	-	-
- BBB	752.6	-	752.6	-	-	574.3	-	-
<b>Other assets</b>								
Other assets	1,609.0	-	1,609.0	360.4	28.8	945.2	221.5	17.7
<b>Off-balance sheet items</b>								
Committed loans <sup>2</sup>	1,213.6	-0.1	1,213.5	-	-	1,834.3	-	-
Committed, undisbursed loans <sup>2</sup>	2,144.4	-0.0	2,144.4	-	-	2,476.2	-	-
<b>Total (including off-balance sheet items)</b>	<b>420,600.3</b>	<b>-31.4</b>	<b>420,568.9</b>	<b>734.5</b>	<b>58.7</b>	<b>361,281.9</b>	<b>361.2</b>	<b>28.9</b>

1) The recognised value corresponds to the maximum credit risk exposure without taking collateral received or other forms of credit enhancement into account. For information on collateral received, see section Counterparty risk on page 67.

2) Guaranteed by local government undertaking. For the definition of risk categories 1-4, see section Risk in credit provision on page 66.

**Expected credit losses**

The Company has a Credit Risk Committee that meets quarterly to assess changes in the Company's phase allocation and expected credit losses. These changes pertain to quantitative models based on input data and assumptions. The process is managed entirely by the Risk and Control department and the Finance department.

Changes in the credit risk are monitored daily and expected credit losses (ECL) are updated on a daily basis. The three factors probability of default (PD), loss given default (LGD), exposure at default (EAD) and the phase allocation are monitored on an ongoing basis and an overall assessment is made quarterly of the trend for the period and of any need to adjust the model.

**Credit risk exposure**

Kommuninvest's liquidity reserve consists of investments in these types of counterparties:

- Sovereign states or state-related counterparties, including states, local government authorities and credit institutions similar to Kommuninvest.

Kommuninvest's lending portfolio consists of lending to the following groups:

- Municipalities and regions (members of the Society).
- Companies, municipal associations and other entities in which members have a majority influence (municipal guarantee).

Off-balance sheet items:

- New lending agreed but not yet paid, building loans and liquidity guarantees.

**Calculation of expected credit losses**

In the calculation of expected credit losses (ECL), the probability of default (PD) is multiplied by the loss given default (LGD) and the exposure at default (EAD).

$$ECL = PD * LGD * EAD$$

**Expected maturity**

Indicators are used to continuously monitor the development of credit risk in the Company's lending. All credit exposures are in phase 1, entailing provisions based on 12 months' expected credit losses. Should a lending counterparty be classified in

*Note 2, continued*

phase 2 due to increased credit risk, the exposure will be based on all cash flows over the remaining maturity.

For the liquidity reserve, Kommuninvest utilises the regulations' exemption for low credit risk, supported by the liquidity reserve's credit risk profile and good credit quality. Kommuninvest defines low credit risk as a credit rating from Moody's of at least Baa3 and from S&P Global Ratings of at least BBB-. Kommuninvest currently only has investments in counterparties with good credit quality that are sovereign states or that are related to a sovereign.

Qualitative assessments are made of negative changes in credit ratings to determine whether there has been a significant increase in credit risk. Assuming that no significant increase is deemed to have occurred and the credit rating meets the Company's requirement of low credit risk, the asset remains in phase 1, entailing 12-months' expected credit losses.

*Definition of default*

Any lending to parties other than those to members directly requires a guarantee for the entire credit amount from one or more members.

Kommuninvest's definition of default is in line with the guidelines developed by the European Banking Authority (EBA) and entail a counterparty having defaulted when one or both of the following situations has occurred:

- Kommuninvest considers it unlikely that the counterparty will be able to meet its commitments in full.
- Any of the counterparty's commitments to Kommuninvest have been due for payment for more than 90 days.

Before an exposure is considered to be in default, Kommuninvest is to perform an expert assessment. This should assess:

- Whether a "technical default" situation has arisen, determined based on the European Banking Authority's guidelines.
- Whether the exposure is directly towards a member (municipality or region). The in-depth analysis is motivated primarily by the local government authorities' constitutionally protected role in society, which includes, among other things, the right to levy taxes, meaning in practice that a local government authority cannot be declared bankrupt.

*Determination of impaired credit quality*

Kommuninvest applies a set of indicators to continuously monitor the development of credit risk in the lending portfolio. The function of the indicators is to demonstrate whether there is a change in the probability of default necessitating a transfer between credit risk phases based on limits. On the signing of the contract, an asset is classified in phase 1, meaning a 12-month probability of default being applied. If there is a significant increase in credit risk, it is transferred to phase 2, meaning that the probability of default on the remaining maturity is applied. In the event of default, the exposure is transferred to phase 3.

Kommuninvest uses both quantitative and qualitative indicators in its ongoing monitoring of the lending portfolio.

The quantitative indicators consist of ratings from rating agencies and data from credit information providers (risk score, risk forecast and payment orders) and Kommuninvest's internal risk value model for assessing lending counterparties. For the quantitative indicators, limits are set in place, with breaches requiring follow-up. The qualitative indicators consist of restructuring of loan terms. A limit of 30 days also applies, meaning that an asset will be transferred to phase 2 if payment is delayed by more than 30 days. Before an individual counterparty is transferred to phase 2, a special assessment is to be made to elucidate the underlying causes and the counterparty's overall repayment capacity. The Credit Risk Committee determines the credit quality of the financial assets and any deterioration.

Kommuninvest has not suffered any actual credit loss, nor has it modified payment flows or renegotiated any existing agreements at any point during the Company's 30-year history.

The surety regulates the members' liability towards the Company. In light of the above, the Company has no specific principles for write-offs.

*Probability of default (PD)*

Kommuninvest has no empirical data of its own to start with as the Company has not suffered any actual credit losses to date. For calculating the probability of default, the Company instead applies S&P Global Ratings' IFRS9 Credit Impairment Solution tool because it is suitable for financial institutions with low credit risk assets.

For probability of default, Kommuninvest applies probabilities based on historical trends that are projected into the future by applying three probability-weighted macroeconomic scenarios. These three scenarios are called the principal scenario, the positive scenario and the negative scenario. The principal scenario uses forecasts for the macroeconomic factors. The negative scenario is derived empirically from the financial crisis of 2008–2012. The positive scenario is derived from the period 1997–2001, which was a period of strong economic development. The historical trend and the model for forward-looking forecasting of probabilities of default have been provided by a rating agency.

In the calculation of expected credit losses in the liquidity reserve, probability of default is allocated based on the issuer's rating. In calculating expected credit losses in the loan portfolio, probability of default is allocated based on an interpolation between the Swedish central government's rating as the lowest probability and a theoretical rating ceiling as the highest. For the interpolation of the lending counterparty's rating, Kommuninvest's internal risk value model is used.

For the lending portfolio, Kommuninvest determines the probability of default at the counterparty level and not the transaction level. This is motivated by the fact that the conditions for all lending are identical and no hierarchical order of credit has been assigned to counterparties. In other words, a deteriorated credit quality will affect all of the counterparty's transactions.

## Note 2, continued

Quantitative input data

Quantitative input data for the calculation of expected credit losses can be found in the table below.

Macroeconomic factor	Scenario	2019, %	2020, %	2021, %	2022, %	2023, %
<b>Forecast input data</b>						
GDP trend Sweden	Principal scenario	1.3	1.7	-	-	-
	Positive scenario	3.1	4.1	4.3	4.9	1.7
	Negative scenario	-0.8	-5.1	5.7	2.7	0.1
Change in unemployment Sweden	Principal scenario	1.6	1.6	-	-	-
	Positive scenario	-15.7	-14.2	-16.0	-11.9	2.1
	Negative scenario	33.7	3.1	-9.3	2.3	0.8
Change in global energy index	Principal scenario	1.4	-6.7	0.2	-	-
	Positive scenario	-1.9	-24.4	29.4	60.7	-7.3
	Negative scenario	28.6	-34.2	20.9	16.0	-0.2
Change in global non-energy index	Principal scenario	1.1	1.2	1.2	-	-
	Positive scenario	2.6	-10.2	-7.7	2.2	-1.9
	Negative scenario	9.4	-16.1	15.9	7.9	-7.9
<b>Historical input data</b>						
Historical change in credit rating (-1 year)	Principal scenario	-	-	-	-	-
	Positive scenario	-	-	-	-	-
	Negative scenario	100.0	-	-	-	-
Historical change in OMX index (-1 year)	Principal scenario	-10.0	-	-	-	-
	Positive scenario	39.4	-	-	-	-
	Negative scenario	-6.0	-	-	-	-
Historical change in S&P 500 index (-1 year)	Principal scenario	-5.0	-	-	-	-
	Positive scenario	20.3	-	-	-	-
	Negative scenario	3.5	-	-	-	-

## Sensitivity analysis

A sensitivity analysis of critical macroeconomic factors can be found in the table below. The outcome refers to the immediate change in the current ECL if the GDP forecast and change in unemployment in future years were to change by +1 percent.

Macroeconomic factor	Forecast 2019, %	Outcome, SEK million
GDP trend Sweden	+1%	-11.7
Change in unemployment Sweden	+1%	5.3

Since all exposures are in phase 1, only one year's PD affects the Company's expected credit losses and the sensitivity analysis is performed on a one year horizon in the principal scenario.

## Loss given default (LGD)

Standard values are used for loss given default that are applied based on the type of counterparty.

For sovereigns and state-related counterparties, historical data from Moody's are used, including lending. It can be noted that all of Kommuninvest's counterparties have a higher credit rating and a more stable economic position than those on which Moody's based its calculation of loss given default. Accordingly, it is assessed that loss given default for these counterparties does not exceed the empirically derived assessment by Moody's. For other counterparties, loss given default is applied in accordance with the CRR regulations.

## Exposure at default (EAD)

For exposure at default, the nominal amount of the assets and outstanding contractual cash flows are discounted by applying the effective interest rate. Which cash flows are included in the calculation depends on the outcome of the phase allocation. As the exemption for low credit risk is applied to the liquidity reserve, only cash flows with a one-year horizon for are

included these assets. The Company has no collateral for its credit risk exposure.

The effective interest rate comprises swap rates, the spread for the Company's outstanding issues and lending, and the spread between the Company's funding expenses and the various types of issuers included in the liquidity reserve. Swap rates and spreads for the Company's issues are obtained from the secondary market, spreads for the Company's lending are obtained from the current customer price list, while the spread between the Company's funding expenses and the various types of issuers is determined through expert assessment. These components are combined and a discount curve is built up for each currency and maturity.

## Changes in expected credit losses during the period

Overall, the Company's expected credit losses increased by SEK 24.2 million, from SEK 7.2 million to SEK 31.4 million, distributed as follows.

## Probability of default (PD)

The forward-looking economic situation for 2019 deteriorated compared with the beginning of 2018, meaning that expected credit losses increased by SEK 23.3 million. Revised historical probabilities of default from S&P Global Ratings reduced expected credit losses by SEK 1.7 million.

## Loss given default (LGD)

During the period, no change was made in LGD.

## Exposure at default (EAD)

In 2018, the Company's assets not valued at fair value increased from a total SEK 254.5 billion to SEK 286.1 billion. The liquidity reserve increased in particular, by SEK 20.6 billion, while the lending portfolio increased by SEK 11.0 billion. Due to the increased credit risk exposure, expected credit losses have increased by SEK 0.9 million.

Note 2, continued

The change in credit loss provisions for the period is shown in the table below. All provision pertain to phase 1. Kommuninvest has not suffered any confirmed credit losses. Under IAS 39, no provisions for credit losses were recognised in the balance sheet and there is therefore no table for the comparison period.

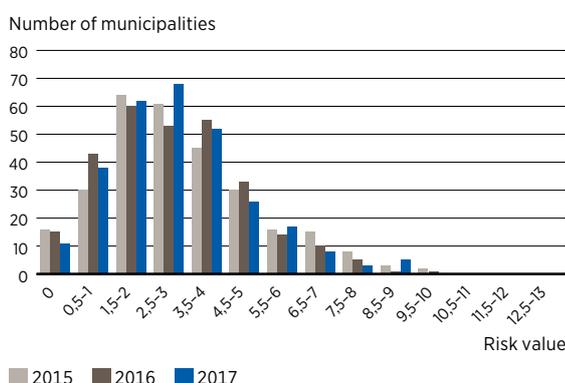
Change in provisions for credit losses					
2018	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Closing balance
Sovereign bonds eligible as collateral	-0.4	-46.8	46.8	-1.7	-2.1
Lending to credit institutions	-0.2	0.0	0.0	-0.5	-0.7
Lending	-6.5	-1.8	2.8	-23.0	-28.5
Bonds and other interest-bearing securities	0.0	0.0	0.0	0.0	0.0
Provisions for off-balance sheet items	-0.1	0.0	0.0	0.0	-0.1
<b>Total</b>	<b>-7.2</b>	<b>-48.6</b>	<b>49.6</b>	<b>-25.2</b>	<b>-31.4</b>

Risk in credit provision

Risk in credit provision refers to the risk that a credit counterparty fails to meet its obligations. This risk is limited by providing credit 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 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 and regions is allocated a risk value between 0 and 13, where the lower the risk value is, the better. Municipalities with risk values 0-3 are allocated risk category 1, risk values 4-6 are allocated risk category 2, risk values 7-8 are assigned risk category 3 and risk values 9-13 are allocated risk category 4. 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 risk in credit provision

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 risk in credit provision.

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 Global Ratings) 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. 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 liquidity reserve investments was 1.8 (7.2) months. The longest remaining maturity of an individual security was 34.9 (26.1) 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.

Investments by country	2018	2017
Sweden	37,097.1	21,790.8
Supnationals	3,291.1	4,915.9
Finland	3,181.0	3,195.2
Germany	1,773.4	4,806.2
Denmark	1,174.1	2,063.2
United Kingdom	1,135.6	129.1
Canada	906.5	925.7
USA	-	8.2
<b>Total</b>	<b>48,558.8</b>	<b>37,834.3</b>

Investments by rating	2018	2017
AAA	42,134.3	33,006.7
AA	5,518.0	3,989.1
A	906.5	838.5
<b>Total</b>	<b>48,558.8</b>	<b>37,834.3</b>

## Note 2, continued

Investments by issuer category	2018	2017
National governments or central banks	38,323.8	23,710.1
Credit institute	6,037.3	8,282.6
of which, subsidised lenders	4,166.6	7,584.1
of which, bank balances	1,870.7	698.5
Multilateral development banks	3,291.2	4,915.9
Regional or local governments and authorities	906.5	925.7
<b>Total</b>	<b>48,558.8</b>	<b>37,834.3</b>

*Capital requirement for issuer risk*

When calculating capital requirements for issuer risk, Kommuninvest uses the standard method in accordance with the CRR regulations, where the exposure value is equivalent to the recognised value. 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 29.9 (11.2) 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 pledged assets. 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, 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 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 1,770.6 (971.3) million.

Derivatives exposure	2018	2017
Recognised value <sup>1</sup>	11,333.2	8,044.6
Amount netted in the balance sheet	1,955.2	576.4
<b>Gross market value<sup>2</sup></b>	<b>13,288.4</b>	<b>8,621.0</b>
Netting gains	-4,273.3	-5,647.3
<b>Current replacement cost<sup>3</sup></b>	<b>9,015.1</b>	<b>2,973.7</b>
Collateral received	-8,571.1	-2,628.0
<b>Net per counterparty incl. deductions for collateral</b>	<b>444.0</b>	<b>345.7</b>
Initial margin pledged	1,279.7	590.2
Surplus collateral pledged	46.9	35.4
<b>Total counterparty risk</b>	<b>1,770.6</b>	<b>971.3</b>

1) Total positive market values before 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	2018	2017
Current replacement cost <sup>1</sup>	9,015.1	2,973.7
Potential future exposure	6,732.8	3,656.7
<b>Exposure value</b>	<b>15,747.9</b>	<b>6,630.4</b>
Risk-weighted exposure value <sup>2</sup>	0.0	0.0
<b>Capital requirement</b>	<b>0.0</b>	<b>0.0</b>

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 I, 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 101.9 (60.4) million.

*Note 2, continued*
**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 risk in credit provision are restricted by limits on lending to individual customers. All lending is covered by a guarantee from one or more members.

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 Society's members sign guarantee undertakings for the Company'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 requirement for concentration risk**

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

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 I.

When the calculations were performed as per 31 December 2018, the capital requirement under Pillar II for concentration risk was 16.6 (19.0) percent of the capital requirement for credit risk under Pillar I, that is to say, SEK 9.8 (5.5) 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, 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, interest rate 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	Nominal amount						Total
	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	
<b>2018</b>							
<b>Assets</b>							
Sovereign bonds eligible as collateral	36,095.0	2,103.1	875.0	-	-	-	39,073.1
Lending to credit institutions	1,870.7	-	-	-	-	-	1,870.7
Bonds and other interest-bearing securities	1,676.9	5,149.8	579.0	-	-	-	7,405.7
Lending	212,683.4	17,165.8	100,476.7	21,179.4	2,440.8	-	353,946.1
Derivative investments	8,971.9	-6,666.2	-2,220.0	-	-	-	85.7
Derivative lending	134,700.9	-13,072.6	-98,136.7	-21,292.5	-2,199.1	-	-
Other assets	1,320.1	-	-	-	-	288.9	1,609.0
<b>Total assets</b>	<b>397,318.9</b>	<b>4,679.9</b>	<b>1,574.0</b>	<b>-113.1</b>	<b>241.7</b>	<b>288.9</b>	<b>403,990.3</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	576.9	-	-	-	-	-	576.9
Securities issued	53,767.8	53,748.7	271,161.1	20,720.9	1,250.0	-	400,648.5
Derivative funding	312,079.4	-34,141.0	-267,219.1	-20,720.9	-1,000.0	-	-11,001.6
Other liabilities	4,551.8	-	-	-	-	70.0	4,621.8
Subordinated liabilities	1,000.1	-	-	-	-	-	1,000.1
Equity	-	-	-	-	-	8,248.6	8,248.6
<b>Total liabilities and equity</b>	<b>371,976.0</b>	<b>19,607.7</b>	<b>3,942.0</b>	<b>-</b>	<b>250.0</b>	<b>8,318.6</b>	<b>404,094.3</b>
Difference, assets and liabilities	25,342.9	-14,927.8	-2,368.0	-113.1	-8.3	-8,029.7	-104.0

## Note 2, continued

Periods of fixed interest	Nominal amount						Total
	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	
<b>2017</b>							
<b>Assets</b>							
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	-	-
Other assets	-	-	-	-	-	945.2	945.2
<b>Total assets</b>	<b>338,402.6</b>	<b>-1,992.4</b>	<b>9,404.0</b>	<b>-161.4</b>	<b>241.7</b>	<b>945.2</b>	<b>346,839.7</b>
<b>Liabilities and equity</b>							
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
Equity	-	-	-	-	-	8,389.0	8,389.0
<b>Total liabilities and equity</b>	<b>315,750.4</b>	<b>11,933.3</b>	<b>11,261.4</b>	<b>100.0</b>	<b>250.0</b>	<b>8,448.4</b>	<b>347,743.5</b>
Difference, assets and liabilities	22,652.2	-13,925.7	-1,857.4	-261.4	-8.3	-7,503.2	-903.8

*Sensitivity analysis*

According to a fixed limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 30 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 million over a period of at most five consecutive business days.

At year-end, the exposure (throughout the portfolio) amounted to a positive SEK 9.3 (negative 11.0) 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 231.3 (211.8) 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 II has been calculated based on the Swedish Financial Supervisory Authority's (Finansinspektionen) 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 200 basis points over short or long maturities.

As one of the ten largest institutes in Sweden, Kommuninvest calculates the capital requirement according to the advanced approach, in which cash flows are grouped by trading day. Under Pillar II, a capital requirement for interest rate risk of SEK 45.0 (31.1) million has been entered.

*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 II is calculated by multiplying the exposure by the foreign exchange fluctuations over the year. In 2018, 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.

## FINANCIAL STATEMENTS

### Note 2, continued

Assets and liabilities by currency	Recognised value							Total
	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	
<b>2018</b>								
<b>Assets</b>								
Sovereign bonds eligible as collateral	36,225.2	-	3,020.6	-	-	-	-15.5	39,230.3
Lending to credit institutions	735.1	92.2	1,043.4	-	0.0	0.0	-	1,870.7
Bonds and other interest-bearing securities	1,092.3	523.9	5,861.8	-	-	-	-20.2	7,457.8
Lending	354,372.8	-	-	-	-	-	1,337.2	355,710.0
Derivatives	-116,089.6	1,012.2	117,814.2	1,438.7	954.7	4,215.6	1,987.4	11,333.2
Other assets	437.5	0.1	1,170.9	0.3	-	0.2	-	1,609.0
<b>Total assets</b>	<b>276,773.3</b>	<b>1,628.4</b>	<b>128,910.9</b>	<b>1,439.0</b>	<b>954.7</b>	<b>4,215.8</b>	<b>3,288.9</b>	<b>417,211.0</b>
<b>Liabilities and equity</b>								
Liabilities to credit institutions	0.3	576.2	-	0.3	-	0.2	7.0	584.0
Securities issued	221,264.5	410.4	141,468.2	11,280.9	4,109.0	18,898.9	-635.0	396,796.9
Derivative liabilities	44,571.0	641.9	-15,176.0	-9,842.2	-3,154.3	-14,683.3	3,602.5	5,959.6
Other liabilities	2,001.1	0.1	2,620.6	-	-	-	-	4,621.8
Subordinated liabilities	1,000.1	-	-	-	-	-	-	1,000.1
Equity	7,934.2	-	-	-	-	-	314.4	8,248.6
<b>Total liabilities and equity</b>	<b>276,771.2</b>	<b>1,628.6</b>	<b>128,912.8</b>	<b>1,439.0</b>	<b>954.7</b>	<b>4,215.8</b>	<b>3,288.9</b>	<b>417,211.0</b>
<b>Difference, assets and liabilities</b>	<b>2.1</b>	<b>-0.2</b>	<b>-1.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	-0.2	-	0.0	0.0	-	-

Assets and liabilities by currency	Recognised value							Total
	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	
<b>2017</b>								
<b>Assets</b>								
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
<b>Total assets</b>	<b>291,283.2</b>	<b>2,194.8</b>	<b>51,254.7</b>	<b>3,636.0</b>	<b>968.9</b>	<b>3,934.5</b>	<b>3,699.3</b>	<b>356,971.4</b>
<b>Liabilities and equity</b>								
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
Equity	8,238.1	-	-	-	-	-	150.9	8,389.0
<b>Total liabilities and equity</b>	<b>291,283.4</b>	<b>2,194.6</b>	<b>51,254.7</b>	<b>3,636.0</b>	<b>968.9</b>	<b>3,934.5</b>	<b>3,699.3</b>	<b>356,971.4</b>
<b>Difference, assets and liabilities</b>	<b>-0.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	0.0	0.0	0.0	0.0	-	-

*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 equity).

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

<b>Sensitivity to credit market risk</b>	<b>2018</b>	<b>2017</b>
Investments, fair value option	-1.1	-2.9
Investments, available for sale	-	-0.2
Lending	-23.8	-15.8
Funding	26.0	18.8
<b>Total</b>	<b>1.1</b>	<b>-0.1</b>

**Capital requirement for credit market risk**

A total capital requirement under Pillar II 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 basic 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 2018, the total capital requirement for credit market risk amounted to SEK 1,530.0 (1,434.0) 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 works 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, meaning that the risk of losses resulting from revenues or expenses differs in relation to the business plan and forecasts. The Company's good matching of maturities of assets and liabilities entails favourable opportunities for transferring changed funding expenses to customers, limiting the earnings risk. This good match also includes assets and liabilities in different currencies, limiting the earnings risk stemming from changes in exchange and basis spreads.

**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, which also affects profit, 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 equity, which lack cash flows. The earnings from these assets, which are financed with 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, net interest income over a one-year period would increase by SEK 229 (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 115 (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.

Note 2, continued

**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. This 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.

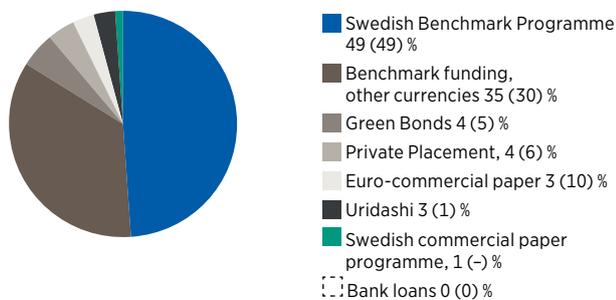
The structural liquidity risk (financing risk) corresponds to the risk that the Company has not financed its long-term commitments in advance. This risk is restricted, in part, through access to diversified funding and, in part, through good matching of maturities between assets and liabilities.

**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, renewals and funding maturities, even under worsening market conditions. The strategic funding programmes are the Company's Swedish Benchmark Programme, benchmark funding in USD within the EMTN (Euro Medium Term Note) programme, the ECP (Euro Commercial Paper) programme, as well as its funding in the Japanese market. The Company maintains a continuous market presence in strategic funding programmes.

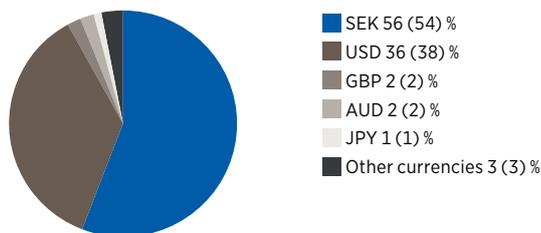
**Total funding by type of instrument**

2018 (2017)



**Total funding by currency**

2018 (2017)



**Good matching between assets and liabilities**

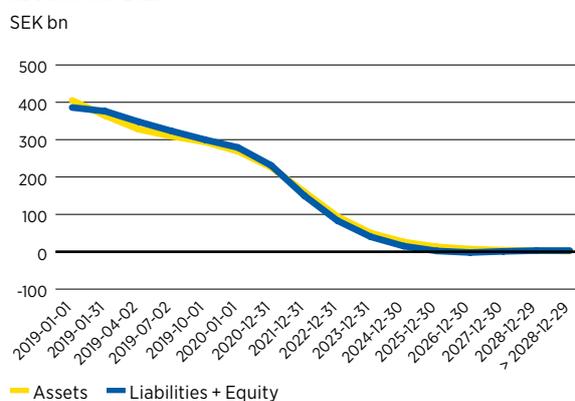
Liquidity risks arise when assets and liabilities have different maturities. To minimise this risk, the Company strives to achieve good matching between assets (lending and investments) and liabilities (funding and equity). The goal is to match assets and liabilities with maturities of more than one year. 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 funding, the investor has the right, under certain conditions, to request premature repayment of on-lent funds.

At year-end, the average maturity on the Company assets amounted to 2.3 (2.2) years, with capital tied up in the Company's lending portfolio for an average 2.6 (2.4) years, and with capital tied up in the liquidity reserve for 0.2 (0.6) years.

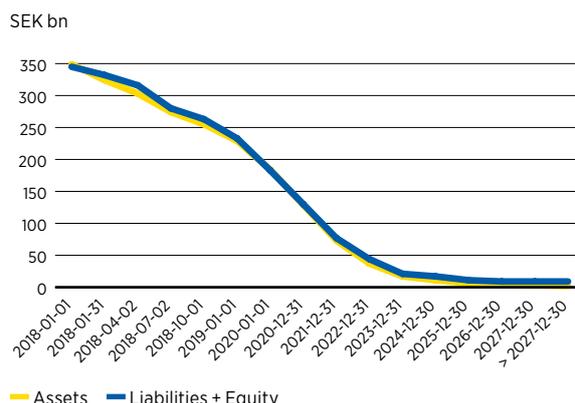
**Maturity profile, balance sheet**

31 December 2018



**Maturity profile, balance sheet**

31 December 2017



## 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.

2018	Contractual, non-discounted cash flows						Total	Recognised value
	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity		
<b>Assets</b>								
Sovereign bonds eligible as collateral	-	36,227.8	2,148.8	907.9	-	-	39,284.5	39,230.3
Lending to credit institutions	-	1,870.7	-	-	-	-	1,870.7	1,870.7
Bonds and other interest-bearing securities	-	1,734.5	5,234.9	605.8	-	-	7,575.2	7,457.8
Lending	-	37,761.1	45,995.6	247,541.6	31,160.8	-	362,459.1	355,710.0
Derivatives	-	8,877.9	6,020.7	10,143.8	82.0	-	25,124.4	11,333.2
Other assets	-	1,609.0	-	-	-	-	1,609.0	1,609.0
<b>Total assets</b>	<b>-</b>	<b>88,081.0</b>	<b>59,400.0</b>	<b>259,199.1</b>	<b>31,242.8</b>	<b>-</b>	<b>437,922.9</b>	<b>417,211.0</b>
<b>Liabilities and equity</b>								
Liabilities to credit institutions	-	0.9	0.3	581.6	-	-	582.8	584.0
Securities issued	-	46,167.1	64,109.7	283,435.2	22,723.3	-	416,435.3	396,796.9
Derivative liabilities	-	1,103.7	1,389.3	1,315.8	-137.1	-	3,671.7	5,959.6
Other liabilities	-	4,621.8	-	-	-	-	4,621.8	4,621.8
Subordinated liabilities	-	3.8	12.3	93.8	1,625.1	-	1,735.0	1,000.1
Equity	-	-	-	-	-	8,248.6	8,248.6	8,248.6
<b>Total liabilities and equity</b>	<b>-</b>	<b>51,897.3</b>	<b>65,511.6</b>	<b>285,426.4</b>	<b>24,211.3</b>	<b>8,248.6</b>	<b>435,295.2</b>	<b>417,211.0</b>
<b>Total difference</b>	<b>-</b>	<b>36,183.7</b>	<b>-6,111.6</b>	<b>-26,227.3</b>	<b>7,031.5</b>	<b>-8,248.6</b>	<b>2,627.7</b>	<b>-</b>
Committed loans	1,213.5	-	-	-	-	-	<b>1,213.5</b>	-
Committed, undisbursed loans <sup>1</sup>	-	-1,992.0	20.7	1,373.8	680.2	-	<b>82.6</b>	-

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		
<b>Assets</b>								
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
<b>Total assets</b>	<b>-</b>	<b>50,290.3</b>	<b>70,903.5</b>	<b>216,199.3</b>	<b>27,403.6</b>	<b>-</b>	<b>364,796.7</b>	<b>356,971.4</b>
<b>Liabilities</b>								
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
Equity	-	-	-	-	-	8,389.0	8,389.0	8,389.0
<b>Total liabilities and equity</b>	<b>-</b>	<b>31,294.1</b>	<b>77,607.3</b>	<b>216,791.2</b>	<b>29,225.6</b>	<b>8,389.0</b>	<b>363,307.2</b>	<b>356,971.4</b>
<b>Total difference</b>	<b>-</b>	<b>18,996.2</b>	<b>-6,703.8</b>	<b>-591.9</b>	<b>-1,822.0</b>	<b>-8,389.0</b>	<b>1,489.5</b>	<b>-</b>
Committed loans	1,834.3	-	-	-	-	-	<b>1,834.3</b>	-
Committed, undisbursed loans <sup>1</sup>	-	-1,525.7	-701.6	1,939.8	359.5	-	<b>72.0</b>	-

1) Negative amounts refer 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.

The scale of the liquidity reserve is governed 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.

The Company's liquidity reserve shall also comprise assets of good credit quality 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 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 funding amounting to at least 5 percent or more of total funding (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, given that each currency is a so-called significant currency. For SEK, the Board of Directors has set a limit of 50 percent.

The high proportion of sovereign bonds and other cash and cash equivalents 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 2018, was 247.5 (206.7) percent, 327.1 (472.4) percent in USD and 331.3 (234.0) percent in SEK (see table below).

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. 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 143.3 (137.1) percent.

Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations	2018			2017		
	Total	USD	SEK	Total	USD	SEK
Extremely highly liquid assets (Level 1), excluding covered bonds	45,238.3	993.5	35,820.8	35,954.3	1,692.1	18,595.2
Extremely highly liquid covered bonds (Level 1)	-	-	-	-	-	-
Highly liquid assets (Level 2)	-	-	-	-	-	-
<b>Liquidity buffer, SEK million</b>	<b>45,238.3</b>	<b>993.5</b>	<b>35,820.8</b>	<b>35,954.3</b>	<b>1,692.1</b>	<b>18,595.2</b>
Cash outflows, SEK million	21,461.6	1,215.1	12,742.0	21,835.2	1,432.8	12,364.2
Cash inflows <sup>1</sup> , SEK million	3,183.0	911.3	1,929.9	4,442.9	1,074.6	4,416.1
<b>Net cash outflow, SEK million</b>	<b>18,278.6</b>	<b>303.8</b>	<b>10,812.1</b>	<b>17,392.3</b>	<b>358.2</b>	<b>7,948.1</b>
<b>Liquidity coverage ratio (%)</b>	<b>247.5</b>	<b>327.1</b>	<b>331.3</b>	<b>206.7</b>	<b>472.4</b>	<b>234.0</b>

1) In the calculation of net cash outflow, cash inflows may only be included to a maximum of 75 percent of cash outflows.

**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.

*Note 2, continued**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 average operating income for the past three years. Kommuninvest's capital requirement under Pillar 1 for operational risks amounts to SEK 152.7 (149.2) 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 expenses 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.

**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. To mitigate the risk of errors, the Company deliberately uses relatively simple methods and techniques to measure risk, capital requirements and risk appetite. 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 CRR<sup>1</sup>. The capital buffers to be introduced under CRD IV<sup>2</sup> first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For 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 2018, the countercyclical buffer requirement was 1 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.

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.

## FINANCIAL STATEMENTS

### Note 2, continued

Capital base	2018	2017
Participation capital <sup>1</sup>	6,889.9	6,102.9
Non-distributed retained earnings <sup>2</sup>	628.6	543.2
Accumulated other comprehensive income and other reserves	12.0	-0.7
<b>Core Tier I capital before regulatory adjustments</b>	<b>7,530.5</b>	<b>6,645.4</b>
Further value adjustments <sup>3</sup>	-177.5	-145.9
<b>Total regulatory adjustments to core Tier I capital</b>	<b>-177.5</b>	<b>-145.9</b>
<b>Total core Tier I capital</b>	<b>7,353.0</b>	<b>6,499.5</b>
Tier I capital contributions	-	-
<b>Total Tier I capital</b>	<b>7,353.0</b>	<b>6,499.5</b>
Subordinated loan <sup>4</sup>	200.0	400.0
<b>Total Tier II capital</b>	<b>200.0</b>	<b>400.0</b>
<b>Total capital</b>	<b>7,553.0</b>	<b>6,899.5</b>

1) On 14 May 2018, the Swedish Financial Supervisory Authority (Finansinspektionen) granted permission to classify member contributions paid to the Kommuninvest Cooperative Society as a core Tier I capital instrument for the consolidated situation, without shares in Kommuninvest i Sverige AB having been purchased. To be permitted to classify member contributions as core Tier I capital, the Kommuninvest Cooperative Society was previously required to purchase shares in Kommuninvest i Sverige AB and to then apply to the Swedish Financial Supervisory Authority (Finansinspektionen) for permission to use the share capital as core Tier I capital. Under previously applicable regulations, a deduction of SEK 666.7 million has been made as per 31 December 2017. The deduction refers to member contributions paid, for which shares in Kommuninvest i Sverige AB have yet to be purchased.

2) A deduction has been made for the year's profit of SEK 718.1 (1,075.9) million.

3) 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.

4) 30-year subordinated loan with three-month variable Stibor-linked interest. The subordinated loan is valid as Tier II capital in accordance with the transitional rules in CRR.

Risk exposure amounts and minimum capital amounts	2018		2017	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
<b>Capital requirement, Pillar I</b>				
Capital requirement for credit risks (the standardised method)	734.6	58.8	361.2	28.9
of which, institutional exposures	665.7	53.3	299.5	24.0
of which, corporate exposures	68.9	5.5	61.7	4.9
Operational risks, basic indicator method	1,909.2	152.7	1,865.6	149.2
Credit valuation adjustment	1,273.4	101.9	754.4	60.4
<b>Total risk exposure amount and minimum capital amount</b>	<b>3,917.2</b>	<b>313.4</b>	<b>2,981.2</b>	<b>238.5</b>
<b>Capital adequacy ratios</b>				
Core Tier I capital ratio		187.7 %		218.0 %
Tier I capital ratio		187.7 %		218.0 %
Total capital ratio		192.8 %		231.4 %

Buffer requirements	2018	2017
Capital conservation buffer	2.5 %	2.5 %
Countercyclical buffer	1.0 %	1.0 %
<b>Total buffer requirements</b>	<b>3.5 %</b>	<b>3.5 %</b>
<b>Core Tier I capital available for use as buffer</b>	<b>179.7 %</b>	<b>210.0 %</b>

Internally estimated capital requirements	2018	2017
<b>Capital requirement, Pillar II</b>		
Credit risk	133.5	128.9
Market risks	1,578.6	1,468.7
Other risk <sup>1</sup>	801.7	-
<b>Total internally estimated capital requirement</b>	<b>2,513.8</b>	<b>1,597.6</b>

1) Risk of inadequate leverage ratio.

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 of the disclosure requirements for capital base for institutions according to European Parliament and Council Regulation (EU) No 575/2013 and the Swedish Financial Supervisory Authority's (Finansinspektionen) rules and general advice for annual accounts from credit institutions and securities companies, FFFS 2008:25, see the Kommuninvest website.

### Leverage ratio – Group

The leverage ratio is defined as the ratio between Tier I capital and total exposure in assets and commitments. 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 committed loans and committed undisbursed loans issued.

	2018	2017
Total assets	417,211.0	356,971.4
Less asset amounts deducted to determine the core Tier I capital	-177.5	-145.9
Less derivatives according to the balance sheet	-11,333.2	-8,044.6
Plus derivatives exposure	9,015.1	2,973.7
Plus possible change in derivatives risk	6,732.7	3,656.7
Plus off-balance sheet commitments	1,678.9	2,155.2
<b>Total exposure</b>	<b>423,127.0</b>	<b>357,566.5</b>
<b>Tier I capital, calculated applying transitional rules</b>	<b>7,353.0</b>	<b>6,499.5</b>
<b>Leverage ratio</b>	<b>1.74 %</b>	<b>1.82 %</b>

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

### Note 3 Net interest income

Group	2018	2017
<b>Interest revenues</b>		
Interest revenues calculated according to effective interest method	494.0	450.6
<i>of which, lending</i>	456.4	487.0
<i>of which, interest-bearing securities</i>	37.6	-36.4
Other interest revenues	11.3	1.7
<b>Total</b>	<b>505.3</b>	<b>452.3</b>
Of which: interest revenues from financial items not measured at fair value through the income statement	231.1	219.4
<b>Interest expenses</b>		
Interest expenses calculated according to effective interest method	436.7	481.4
<i>of which, liabilities to credit institutions</i>	-15.3	-2.2
<i>of which, securities issued</i>	681.0	645.4
<i>of which lending, negative lending rate</i>	-229.0	-161.8
Other operating expenses	-69.5	-55.0
<b>Total</b>	<b>367.2</b>	<b>426.4</b>
Of which: interest expenses from financial items not measured at fair value through the income statement <sup>1</sup>	-562.8	-382.0
<b>Total net interest income</b>	<b>872.5</b>	<b>878.7</b>

1) Interest from derivatives that financially hedge funding is recognised as an interest expense. Since derivative contracts allow interest to be received in the payment leg, the prevailing interest situation means, in many cases, that Kommuninvest has received 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, please see the Comments on the income statement on page 47.

#### Kommuninvest Cooperative Society

Group	2018	2017
<b>Interest revenues</b>		
Lending to credit institutions	-	0.0
Interest revenues, subordinated loan	-	9.7
<b>Total</b>	<b>-</b>	<b>9.7</b>
<b>Interest expenses</b>		
Liabilities to credit institutions	-0.2	-0.2
Interest expenses, subordinated loan	-12.7	-11.8
Other	-0.0	-0.2
<b>Total</b>	<b>-12.9</b>	<b>-12.2</b>
<b>Total net interest income</b>	<b>-12.9</b>	<b>-2.5</b>

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

### Note 4 Commission expenses

Group	2018	2017
Payment agency commissions	4.9	3.4
Brokerage for securities	3.1	3.7
Other commissions	0.2	0.2
<b>Total</b>	<b>8.2</b>	<b>7.3</b>

### Note 5 Net result of financial transactions

Group	2018	2017
Realised profit	-2.5	86.3
<i>of which, interest-bearing securities</i>	-1.2	89.8
<i>of which, other financial instruments</i>	-1.3	-3.5
Unrealised changes in market value	164.4	426.0
Exchange rate changes	-0.5	-0.3
<b>Total</b>	<b>161.4</b>	<b>512.0</b>

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

Net gain/loss by measurement category (IFRS 9)	2018
Financial assets at fair value through the income statement	-106.2
<i>of which, compulsory</i>	412.9
<i>of which, fair value option</i>	-519.1
Financial assets measured at amortised cost	0.5
Financial liabilities at fair value through the income statement	244.9
<i>of which, held for trade</i>	-1,727.1
<i>of which, fair value option</i>	1,972.0
Financial liabilities measured at amortised cost	-
Change in fair value of derivatives that are hedging instruments in fair value hedge	-362.5
Change in fair value on hedged item with regard to hedged risk in fair value hedging	385.2
Exchange rate changes	-0.5
<b>Total</b>	<b>161.4</b>

#### Results (net)

Net result of available-for-sale financial assets recognised in other comprehensive income

-

Kommuninvest has no assets or liabilities that are reported in other comprehensive income. Kommuninvest does not enter any credit risk of its own in the financial statements, see Note 29.

Net profit on financial assets measured at an amortised cost amounts to SEK 0.5 (0.2) million. This amount includes compensation for the interest spread of SEK 0.6 (0.2) million, pertaining to prematurely discontinued lending. In all instances, discontinuation has been on the customer's initiative. In addition, a negative SEK 0.1 (-) million relates to a Riksbank repurchase agreement that was sold. The sale was motivated by greater liquidity outflows than expected during the extended maturity, over the end of the year, of the Riksbank's repurchase agreements, from the normal one week to three weeks.

## FINANCIAL STATEMENTS

### Note 5, continued

Net gain/loss by measurement category (IAS 39)	2017
Financial assets at fair value through the income statement	-730.0
Holdings for trading purposes (assets)	45.7
Loan receivables and accounts receivable	0.2
Financial liabilities at fair value through the income statement	86.8
Holdings for trading purposes (liabilities)	1,077.8
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
Change in fair value on hedged item with regard to hedged risk in fair value hedges	981.7
Exchange rate changes	-0.3
<b>Total</b>	<b>512.0</b>
<b>Results (net)</b>	
Net result of available-for-sale financial assets recognised in other comprehensive income	-11.5

## Note 6 Other operating income

Group	2018	2017
Capital gain on divestments of tangible assets	-	0.1
Revenue from contracts with customers	5.8	4.9
Other operating income	1.8	1.2
<b>Total</b>	<b>7.6</b>	<b>6.2</b>

## Note 7 General administration expenses

Group	2018	2017
<b>In TSEK</b>		
<b>Payroll expenses</b>		
Salaries and emoluments	73,924	70,380
Social security contributions	40,960	38,756
<i>of which, social security contributions and wage debt for social security contributions</i>	<i>23,473</i>	<i>22,066</i>
<i>of which, pension expenses</i>	<i>14,081</i>	<i>13,446</i>
<i>of which, special payroll tax on pension expenses</i>	<i>3,406</i>	<i>3,244</i>
Temporary/contract personnel	2,507	5,401
Education/training expenses	3,425	2,913
Other payroll expenses	3,179	4,823
<b>Total payroll expenses</b>	<b>123,995</b>	<b>122,273</b>
<b>Other general administration expenses</b>		
Travel expenses	5,159	5,568
IT expenses	19,257	19,094
Consultancy fees	20,067	28,631
Rating expenses	1,118	1,339
Market data	9,079	9,620
Rent and other expenses for premises	2,543	2,561
Property expenses	1,529	2,025
Annual Report and interim report	1,110	1,196
Resolution fee	69,052	66,307
Other expenses	20,662	14,395
<b>Total other general administration expenses</b>	<b>149,576</b>	<b>150,736</b>
<b>Total</b>	<b>273,571</b>	<b>273,009</b>

All revenues from contracts with customers relate to revenues from a financial management service, KI Finans, which is offered to members of the Kommuninvest Cooperative Society. The service allows customers to create their own overview of their financial positions. All revenues derive from a customer category consisting of municipalities and regions which are members of the Kommuninvest Cooperative Society and all customers operate in the same geographical market, Sweden.

All contracts are processed at the portfolio level, entitle the customer access to a service and the performance commitment is fulfilled over time during the period in which the service is provided. All contracts extend over one calendar year and are normally invoiced within that financial year. There is no adjustment for any material financing component since payment terms, invoicing and access to the service occur within one financial year. The revenue is recognised within the financial year as performance commitment is met. The transaction price of the contracts is fixed with no adjustments for variable compensation, obligations or benefits linked to the contracts or other assessment items. The transaction price is determined by Kommuninvest's price list and takes the customer group's external borrowing debt. Contract expenses for the KI Finans system are capitalised as an intangible asset and recognised under IAS 38 Intangible Assets, and current expenses attributable to KI Finans are expensed in accordance with IFRS 15, paragraph 96. No specific expenses associated with the contracts are paid by the customer.

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

### Kommuninvest Cooperative Society

	2018	2017
Salaries and emoluments, incl. social security contributions	2,486	2,312
Other expenses	15,041	14,308
<b>Total</b>	<b>17,527</b>	<b>16,620</b>

### Remuneration policy, Kommuninvest i Sverige AB

The Company applies a remuneration policy that explains that Kommuninvest does not apply variable remuneration. Nor has any variable remuneration been paid to Company employees in 2018. 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 8 (10) members, including the employee representatives, of whom 4 (5) were women. Ellen Bramness Arvidsson is the Chairman of the Board.

Up until the 2018 Annual General Meeting, the fees to the Board of Directors consisted of a fixed fee of TSEK 550 to the Chairman. Members of the Board are paid a fixed fee of TSEK 300 each. No fees were paid to employee representatives. The 2018 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.

## Note 7, continued

In TSEK	2018	2017
Ellen Bramness Arvidsson	550	550
Kurt Eliasson	300	300
Lars Heikensten	300	300
Erik Langby	300	300
Anna von Knorring	300	300
Johan Törngren	300	300
Kristina Sundin Jonsson, newly elected in April 2018	200	-
Anna Sandborgh, stepped down in April 2018	100	300
Åsa Zetterberg, stepped down in April 2018	100	208
Ulrika Gonzalez Hedqvist, employee representative	-	-
Nedim Murtic, employee representative, stepped down in March 2018	-	-
Jonas Håkansson, employee representative, newly elected in March 2018 and stepped down in August 2018	-	-
<b>Total</b>	<b>2,450</b>	<b>2,558</b>

#### Remuneration to the senior executives of Kommuninvest i Sverige AB

Remuneration for the President and CEO has been decided by the Board. For 2018, the President and CEO received TSEK 3,129 (3,123) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 1,057 (964) 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 2,105 (2,069) in basic salary for 2018. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 602 (617) 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 (5) people, of whom 2 (2) were women and 3 (3) were men.

Remuneration to other senior executives in Company management has been determined by the Board. During 2018, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 5,546 (4,789). The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2018, the Chairman of the Board is responsible for an independent review being performed of the Company's remuneration and compensation policies, for preparing the Board's decisions, and for compensation to Executive Management, as well as for compensation to employees bearing the overall responsibility for any of the Company's control functions, and for measures to monitor the application of the Company's remuneration policy.

#### Remuneration to the Board of Directors of the Kommuninvest Cooperative Society

At the end of the year, the Board of Directors comprised 15 (15) members, of whom 8 (8) 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, 1 (2) member stepped down and 1 (2) person was appointed. During

the year, no changes were made with regard to deputies, compared with the previous year when 3 deputies stepped down and 3 people were appointed. For more information on the composition of the Board of Directors, see page 40.

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 294 (287) and the Vice Chairman a fixed fee of TSEK 196 (191).

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 109 (106). 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 7.8 (7.7) and a variable fee of TSEK 4.6 (4.5) per meeting. Deputy board members receive a variable fee of TSEK 4.6 (4.5) per meeting. For telephone meetings, all members receive remuneration of TSEK 2.3 (2.2) per meeting in variable compensation.

Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, in TSEK	2018	2017
Anna-Britta Åkerlind	36.6	26.8
Ann-Marie Johansson	27.4	18.0
Bo Rudolfsson	36.6	31.4
Britta Flinkfeldt	35.2	23.1
Camilla Egberth	36.6	35.8
Carina Sándor	35.1	34.5
Catharina Winberg	36.6	22.4
Christina Johansson	27.5	35.8
Daniel Edström	13.7	27.0
Ewa-May Karlsson	107.7	105.1
Fredrik Larsson	44.3	38.9
Gert Ove Thörnros	36.6	26.8
Göran Färm	291.9 <sup>1)</sup>	288.0 <sup>1)</sup>
Hans Lindberg	18.3	31.5
Jonas Ransgård	49.0	30.1
Lennart Holmlund, stepped down in April 2017	-	4.4
Lilly Bäcklund	45.7	43.5
Linda Frohm	194.6 <sup>1)</sup>	190.0 <sup>1)</sup>
Bert Öhlund, stepped down in April 2018	7.0	25.5
Margreth Johnsson	107.7	105.1
María Alfredsson, newly elected in April 2018	14.4	-
Marie-Louise Forsberg-Fransson, stepped down in April 2017	-	6.9
Mohamad Hassan	13.7	22.5
Niclas Nilsson	39.8	34.5
Niklas Karlsson	39.8	43.5
Patrik Jönsson, stepped down in April 2017	-	11.3
Peter Hemlin	27.4	13.5
Peter Kärnström	36.6	35.8
Pierre Sjöström	36.6	44.8
Robert Mörk, stepped down in April 2017	-	-
Roger Persson	36.6	31.3
Roland Åkesson	35.2	43.5
Therese Borg	16.9	32.1
Ulf Olsson	36.6	26.9
Örjan Mossberg	44.4	43.5
<b>Total</b>	<b>1,566.1</b>	<b>1,533.8</b>

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.

## FINANCIAL STATEMENTS

Note 7, continued

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

2018, in TSEK	Basic salary / Board fee	Other benefits	Pension expense	Total
Board of Directors	2,450	-	-	2,450
President and CEO	3,129	84	1,057	4,270
Deputy CEO	2,105	-	602	2,707
Others in Company management	5,546	18	1,831	7,395
Other salaried employees	58,751	-	10,591	69,342
<b>Total</b>	<b>71,981</b>	<b>102</b>	<b>14,081</b>	<b>86,164</b>

2017, in TSEK	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	4,699	18	1,386	6,103
Other salaried employees	56,086	-	10,479	66,565
<b>Total</b>	<b>68,535</b>	<b>102</b>	<b>13,446</b>	<b>82,083</b>

### Group

Average number of employees	2018	2017
Average number of employees during the year	97	91
of whom, women	41	35

The Society has no employees.

### Auditing engagement

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.

### Group

Emoluments and expenses for the auditors, TSEK, KPMG AB	2018	2017
Auditing engagement	1,010	1,397
Other audit services	969	983
Tax consultancy	-	-
Other Services	323	141

### Kommuninvest Cooperative Society

Emoluments and compensation for expenses for the auditors, TSEK, KPMG AB	2018	2017
Auditing engagement	70	16
Other audit services	-	-
Tax consultancy	-	-
Other Services	275	126

### Operational leasing

Over the year, expenses for operating leases amounted to TSEK 2,094 (2,455).

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	2018	2017
Within one year	2,064	2,005
Between one and five years	6,258	9,001
<b>Total</b>	<b>8,322</b>	<b>11,006</b>

## Note 8 Other operating expenses

### Group

	2018	2017
Insurance expenses	1.3	0.9
Communication and information	2.8	2.5
Other operating expenses	0.4	0.1
<b>Total</b>	<b>4.5</b>	<b>3.5</b>

## Note 9 Net credit losses

### Group

	2018	2017
Sovereign bonds eligible as collateral	1.7	-
Lending to credit institutions	0.6	-
Lending	21.9	-
Bonds and other interest-bearing securities	0.0	-
Off-balance sheet items	0.1	-
<b>Total</b>	<b>24.3</b>	<b>-</b>

In accordance with IFRS 9, Kommuninvest began recognising expected credit losses in 2018. Kommuninvest had no credit losses in 2017 under IAS 39. For information on the calculation model, provisions and credit loss fluctuations, see Note 2.

## Note 10 Tax

### Group

<b>Recognised in income statement</b>	<b>2018</b>	<b>2017</b>
Current tax expense	1.4	0.3
Deferred tax expense (+) / tax income (-) attributable to temporary differences	0.0	27.9
Adjustment of taxes attributable to previous years	2.3	-0.2
<b>Total tax expense recognised</b>	<b>3.7</b>	<b>28.0</b>

<b>Reconciliation of effective tax</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Profit before tax		721.8		1,103.9
Tax according to prevailing tax rate	22.0 %	158.8	22.0 %	242.9
Tax effect of deductible distribution	-21.9 %	-157.9	-19.4 %	-213.3
Tax effect of dividend in excess of net profit	-	-	-0.2 %	-2.5
Non-deductible expenses/ Non-taxable revenues	0.1 %	0.5	0.1 %	1.1
Tax attributable to previous years	0.3 %	2.3	-0.0 %	-0.2
<b>Recognised effective tax</b>	<b>0.5 %</b>	<b>3.7</b>	<b>2.5 %</b>	<b>28.0</b>

<b>Tax expense attributable to other comprehensive income</b>	<b>2018</b>	<b>2017</b>
Available-for-sale financial assets	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>

### Recognised in the balance sheet

#### Recognised deferred tax assets and liabilities

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

<b>Deferred tax assets</b>	<b>2018</b>	<b>2017</b>
<b>Tax assets, opening balance</b>	<b>0.6</b>	<b>28.5</b>
Unrealised changes in market value	-	-28.1
<i>of which, recognised in the income statement</i>	<i>-</i>	<i>-28.1</i>
<i>of which, recognised in other comprehensive income</i>	<i>-</i>	<i>-</i>
Income tax adjustment	0.0	0.2
<b>Tax assets, closing balance</b>	<b>0.6</b>	<b>0.6</b>

### Kommuninvest Cooperative Society

<b>Recognised in income statement</b>	<b>2018</b>	<b>2017</b>
Tax expense for the year	1.4	0.0
Adjustment of taxes attributable to previous years	1.0	0.1
<b>Total tax expense recognised</b>	<b>2.4</b>	<b>0.1</b>

<b>Reconciliation of effective tax</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
Profit before tax		720.3		974.9
Tax according to prevailing tax rate	22.0 %	158.4	22.0 %	214.4
Tax effect of deductible distribution	-21.9 %	-157.9	-21.9 %	-213.3
Non-deductible expenses/ Non-taxable revenues	0.1 %	0.9	-0.1 %	-1.1
Tax attributable to previous years	0.1 %	1.0	0.0 %	0.1
<b>Recognised effective tax</b>	<b>0.3 %</b>	<b>2.4</b>	<b>0.0 %</b>	<b>0.1</b>

## Note 11 Appropriation of surplus

The Board of Directors of the Kommuninvest Cooperative Society proposes that:	2018
The profit of SEK 723.1 million at the disposal of the Annual General Meeting of the Society be appropriated as follows:	
Interest of 1.5 percent on contribution capital is paid to members	102.1
Refunds be distributed to members in proportion to each member's share of the total business volume in 2018	615.7
To be carried forward	5.3
<b>Total appropriated</b>	<b>723.1</b>

For more information, see page 43.

## Note 12 Sovereign bonds eligible as collateral

Group	2018				2017	
	Recognised value		Total recognised value	Fair value	Recognised value	Fair value
	Amortised cost	Fair value through the income statement				
Sovereign bonds eligible as collateral						
– Swedish central government	33,201.6	3,868.2	37,069.8	37,072.4	21,221.4	21,221.4
– Foreign governments	–	2,160.5	2,160.5	2,160.5	3,414.4	3,414.4
<b>Total</b>	<b>33,201.6</b>	<b>6,028.7</b>	<b>39,230.3</b>	<b>39,232.9</b>	<b>24,635.8</b>	<b>24,635.8</b>
Positive difference of book values exceeding nominal values			166.7		332.7	
Negative difference of book values falling below nominal values			-9.5		-17.2	
<b>Total</b>			<b>157.2</b>		<b>315.5</b>	

The increase compared with 2017 is due to a larger liquidity reserve in terms of volume, while the Company increased, at the same time, the proportion of holdings in securities issued by the Swedish central government.

## Note 13 Lending to credit institutions

### Kommuninvest Cooperative Society

	2018	2017
Lending in SEK	18.7	36.3
<b>Total</b>	<b>18.7</b>	<b>36.3</b>

## Note 14 Lending

### Group

	2018				2017	
	Recognised value				Recognised value	Fair value
	Amortised cost	Fair value through the income statement	Total recognised value	Fair value		
Lending						
- municipalities and regions	106,619.6	46,415.0	153,034.6	152,997.1	128,905.1	129,043.8
- housing companies with municipal guarantees	95,114.9	36,720.3	131,835.2	131,824.3	116,828.9	116,922.7
- other companies with municipal guarantees	47,577.4	23,262.8	70,840.2	70,859.5	64,413.3	64,472.1
<b>Total</b>	<b>249,311.9</b>	<b>106,398.1</b>	<b>355,710.0</b>	<b>355,680.9</b>	<b>310,147.3</b>	<b>310,438.6</b>

Lending refers to lending to municipalities and regions, as well as to companies owned by municipalities and regions.

## Note 15 Bonds and other interest-bearing securities

### Group

	2018				2017	
	Recognised value				Recognised value	Fair value
	Amortised cost	Fair value through the income statement	Total recognised value	Fair value		
Bonds and other interest-bearing securities						
- Swedish mortgage finance institutions	-	-	-	-	-	-
- other foreign issuers	-	7,457.8	7,457.8	7,457.8	12,500.0	12,500.0
<b>Total</b>	<b>-</b>	<b>7,457.8</b>	<b>7,457.8</b>	<b>7,457.8</b>	<b>12,500.0</b>	<b>12,500.0</b>
Positive difference of book values exceeding nominal values			70.7		163.7	
Negative difference of book values falling below nominal values			-18.6		-32.9	
<b>Total</b>			<b>52.1</b>		<b>130.8</b>	

The decrease compared with 2017 is due to the fact that the Company increased the share of holdings in securities issued by the Swedish central government, for more information, see Note 12.

## Note 16 Shares and participations in subsidiaries

### Kommuninvest Cooperative Society

Companies	2018		2017	
	Recognised value	Number of shares	Recognised value	Number of shares
Kommuninvest i Sverige AB, 556281-4409	7,100.0	70,999,720	7,100.0	70,999,720
<b>Total</b>	<b>7,100.0</b>	<b>70,999,720</b>	<b>7,100.0</b>	<b>70,999,720</b>

## Note 17 Derivatives and hedge accounting

### Group

Kommuninvest's funding is conducted in several different currencies and at both fixed and variable interest rates. Kommuninvest's lending is conducted only in Swedish kronor, but at both fixed and variable interest rates. Kommuninvest uses derivative instruments to hedge interest rate and currency risks that arise when the contractual terms of the Company's funding and lending do not match.

With the aim of reducing volatility in earnings and equity, hedge accounting of fair value is applied for fixed-rate funding and lending. This hedging entails one or more derivative contracts, known as hedging instruments, being signed to hedge one or more market risks associated with funding or lending. Only plain-vanilla derivatives in the form of interest rate and currency swaps are used as hedging instruments.

### Hedging relationships

In hedge accounting, Kommuninvest uses two different types of hedging relationships, hedging of interest rate risk and hedging of interest rate and currency risk. All hedging relationships are transaction-based.

Since the critical terms, currency, maturity date, dates for fixed rate payments and total nominal amount, in the hedging instrument and the hedged item always correspond, Kommuninvest expects that sources of inefficiency during the hedge relationship will solely comprise changes in the value on the variable legs of the hedging instrument and, where applicable, changes in currency basis spread.

### Interest rate risk hedging

Interest rate risk arises when Kommuninvest borrows or lends money at fixed interest rates. Since funding and lending do not occur simultaneously, they are hedged at the transaction level with one or more derivative instruments. Kommuninvest's objective with these hedges is to reduce the risk of changes in the fair value of the funding or lending transaction caused by changes in the benchmark interest rate. Kommuninvest identifies this benchmark interest rate risk as the risk component hedged in funding and lending.

In these cases, the hedged item consists of fixed-rate funding or lending. The hedging instrument consists of one or more interest rate swaps. The interest rate swaps are to be based on the same currency, maturity date, dates for fixed rate payments and total nominal amount as the hedged item.

### Interest rate and currency risk hedging

Interest rate and currency risk arises when Kommuninvest borrows money in foreign currency at a fixed interest rate. Since Kommuninvest's lending is in Swedish kronor, derivative contracts are used to exchange this money to SEK, meaning that this funding is hedged at the transaction level with one or more derivatives. Kommuninvest's objective with these hedges is to reduce the risk of changes in the fair value of the funding caused by changes in the current benchmark interest rate and exchange rate. Kommuninvest identifies this benchmark interest rate and currency risk as the risk components hedged in its funding.

In these cases, the hedged item consists of fixed-rate funding in foreign currency. The hedging instruments consist of one or more currency swaps where the hedging results in variable SEK flows. Currency swaps are to be based on the same currency, maturity date, dates for fixed rate payments and total nominal amount as the hedged item.

### Efficiency testing

Kommuninvest conducts an initial prospective review when a hedging relationship is to be initiated and thereafter retrospective tests on a quarterly basis. The prospective review ascertains whether the critical terms for the hedged item and the hedging instrument are consistent. If the critical conditions do not agree, hedge accounting will not be applied.

The efficiency of the hedging relationship is measured retrospectively in an analysis based on historical data for balances of unrealised market value for the hedged item and the hedging instrument. The analysis comprises a regression test. The regression test deems the hedge relationship efficient if a linear regression produces a regression coefficient between  $-0.8$  and  $-1.25$ . If the hedging relationship is not deemed efficient, the relationship is broken, the previously hedged item is recognised at amortised cost and the changes value are allocated across the remaining maturity of the item.

All hedging relationships have been deemed efficient. Kommuninvest has no hedging relationships that have been discontinued prematurely.

## Note 17, continued

Hedging instrument	Nominal amount					Assets at fair value		Liabilities at fair value		Changes in fair value used for accounting of hedging inefficiency	
	Remaining contractual maturity			Total		2018	2017	2018	2017	2018	2017
	<1 year	1-5 years	>5 years	2018	2017						
<i>Derivatives in hedging relationship</i>											
Derivatives in hedging of interest rate risk	35,915.1	219,056.2	42,160.6	297,131.9	232,991.8	2,576.2	4,240.3	-491.4	-677.1	-335.8	-919.8
Derivatives in hedging of interest rate and currency risk	363.6	3,344.8	-	3,708.4	3,656.0	343.3	273.1	-97.1	-76.4	-26.7	-65.8
<b>Total</b>	<b>36,278.7</b>	<b>222,401.0</b>	<b>42,160.6</b>	<b>300,840.3</b>	<b>236,647.8</b>	<b>2,919.5</b>	<b>4,513.4</b>	<b>-588.5</b>	<b>-753.5</b>	<b>-362.5</b>	<b>-985.6</b>
Average interest rate	0.11%	-0.08%	0.42%								
<i>Derivatives not used for hedging</i>											
Interest rate-related	80,606.6	140,623.0	2,211.8	223,441.4	190,343.8	71.3	176.4	-756.5	-1,297.7		
Currency-related	72,651.5	104,657.4	1,422.7	178,731.6	160,427.4	8,339.1	3,288.3	-2,969.1	-5,742.7		
Other	8,508.1	-	-	8,508.1	976.3	3.3	66.5	-1,645.5	-		
<b>Total</b>	<b>161,766.2</b>	<b>245,280.4</b>	<b>3,634.5</b>	<b>410,681.1</b>	<b>351,747.5</b>	<b>8,413.7</b>	<b>3,531.2</b>	<b>-5,371.1</b>	<b>-7,040.4</b>		
<b>Total</b>	<b>198,044.9</b>	<b>467,681.4</b>	<b>45,795.1</b>	<b>711,521.4</b>	<b>588,395.3</b>	<b>11,333.2</b>	<b>8,044.6</b>	<b>-5,959.6</b>	<b>-7,793.9</b>		

Hedged items	Assets, recognised value		Accrued amount for adjustment of fair value, assets		Liabilities, recognised value		Accrued amount for adjustment of fair value, liabilities		Changes in fair value used for accounting of hedging inefficiency	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Lending in an interest rate risk hedge	85,680.7	63,105.8	656.5	450.0	-	-	-	-	206.5	-358.9
Funding in an interest rate risk hedge	-	-	-	-	202,333.8	174,924.9	1,197.7	1,344.3	146.6	1,264.7
Funding in an interest rate and currency risk hedge	-	-	-	-	2,947.1	2,863.1	147.7	179.8	32.1	75.8
<b>Total</b>	<b>85,680.7</b>	<b>63,105.8</b>	<b>656.5</b>	<b>450.0</b>	<b>205,280.9</b>	<b>177,788.0</b>	<b>1,345.4</b>	<b>1,524.1</b>	<b>385.2</b>	<b>981.6</b>

<b>Total hedging inefficiency</b>	<b>2018</b>	<b>2017</b>
<i>Interest rate risk hedging</i>		
Derivatives	-335.8	-919.8
Funding	146.6	1,264.7
Lending	206.5	-358.9
<b>Total</b>	<b>17.3</b>	<b>-14.0</b>
<i>Interest rate and currency risk hedging</i>		
Derivatives	-26.7	-65.8
Funding	32.1	75.8
<b>Total</b>	<b>5.4</b>	<b>10.0</b>

All inefficiency is recognised in net result of financial transactions.

## Note 18 Intangible assets

Group	2018	2017
<i>Acquisition value</i>		
Acquisition value brought forward	24.3	22.0
Investments for the year	11.1	2.3
Disposals and scrappings	-1.4	-
<b>Acquisition value carried forward</b>	<b>34.0</b>	<b>24.3</b>
<i>Depreciation</i>		
Opening balance, depreciation	-13.4	-8.6
Depreciation for the year	-4.9	-4.8
Disposals and scrappings	-	-
<b>Depreciation carried forward</b>	<b>-18.3</b>	<b>-13.4</b>
<b>Planned residual value at the end of the accounting period</b>	<b>15.7</b>	<b>10.9</b>

Kommuninvest's intangible assets consist of business systems. The item disposals and scrappings refers to the impairment of an application in κ1 Finans that is not considered to have met the standard required to be used in the intended manner. The effect on earnings of a negative SEK 0.4 million has been reported under depreciation and impairment of intangible assets in the income statement.

## Note 19 Tangible assets

Group	2018	2017
<b>Equipment</b>		
<i>Acquisition value</i>		
Acquisition value brought forward	23.7	32.2
Investments for the year	0.5	2.5
Disposals and scrappings	-	-11.0
<b>Acquisition value carried forward</b>	<b>24.2</b>	<b>23.7</b>
<i>Depreciation</i>		
Opening balance, depreciation	-16.3	-24.4
Depreciation for the year	-2.6	-2.7
Disposals and scrappings	-	10.8
<b>Depreciation carried forward</b>	<b>-18.9</b>	<b>-16.3</b>
<b>Planned residual value at the end of the accounting period</b>	<b>5.3</b>	<b>7.4</b>
<b>Land and building</b>		
<i>Acquisition value</i>		
Acquisition value brought forward	51.9	51.3
Investments for the year	-	0.6
Disposals and scrappings	-	-
<b>Acquisition value carried forward</b>	<b>51.9</b>	<b>51.9</b>
<i>Depreciation</i>		
Opening balance, depreciation	-20.8	-19.1
Depreciation for the year	-1.3	-1.7
Disposals and scrappings	-	-
<b>Depreciation carried forward</b>	<b>-22.1</b>	<b>-20.8</b>
<b>Planned residual value at the end of the accounting period</b>	<b>29.8</b>	<b>31.1</b>
<b>Tax assessment values</b>		
Tax assessment value of Fenix 1 property	34.0	34.0
<i>Of which, land (in Sweden)</i>	<i>10.2</i>	<i>8.0</i>

Equipment mainly comprises IT equipment and office equipment.

## Note 20 Receivables from subsidiaries

Kommuninvest Cooperative Society	2018	2017
Group contributions for the year	750.6	987.5
Trade and other receivables	0.0	0.0
Other receivables	889.2	764.8
<b>Total</b>	<b>1,639.8</b>	<b>1,752.3</b>

Other receivables refer to member contributions in 2018, 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	2018	2017
Marginal collateral pledged	1,454.4	793.0
Other assets	9.4	9.4
<b>Total</b>	<b>1,463.8</b>	<b>802.4</b>

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 30. In 2017, the Company also began to pledge cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies. Accordingly, these are included in full in the balance sheet.

## Note 22 Other liabilities

Group	2018	2017
Marginal collateral received	4,551.8	654.8
Other liabilities	26.5	16.2
<b>Total</b>	<b>4,578.3</b>	<b>671.0</b>

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 30. In 2017, the Company also began to receive cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies and are therefore included in full in the balance sheet.

### Kommuninvest Cooperative Society

	2018	2017
Other liabilities	0.5	0.3
Tax liabilities	2.4	0.4
Accounts payable, trade	0.4	0.4
<b>Total</b>	<b>3.3</b>	<b>1.1</b>

## Note 23 Provisions

Group	2018	2017
Provisions for off-balance sheet commitments	0.1	-
<b>Total</b>	<b>0.1</b>	<b>-</b>

This item includes provisions for expected credit losses on off-balance sheet commitments. For more information on off-balance sheet items, see Note 27.

## Note 24 Subordinated liabilities

### Kommuninvest Cooperative Society

	Currency	Nominal	Interest rate	Due date	Recognised value	
					2018	2017
Subordinated loan	SEK	1,000.0	Variable	30 November 2040	1,000.1	1000.1
<b>Total</b>		<b>1,000.0</b>			<b>1,000.1</b>	<b>1000.1</b>

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 balance sheet date, no repayment amounts were pending.

## Note 25 Equity

### Kommuninvest Cooperative Society

In the Group, the Kommuninvest Cooperative Society has classified participation capital of SEK 6,889.9 (6,770.6) million as equity, of which SEK 23.6 (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 contribution capital, 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. No contributions from the Society's members were repaid in 2018.

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.

## Note 26 Equity

### Group

SEK, million	Restricted equity			Unrestricted equity		Total equity	
	Subscribed capital	Development expenditure reserve <sup>1</sup>	Statutory reserve <sup>2</sup>	Fair value reserve <sup>3</sup>	Profit or loss brought forward	Net profit	
<b>Equity brought forward 1 January 2017</b>	<b>6,307.5</b>	<b>1.6</b>	<b>164.4</b>	<b>7.7</b>	<b>439.8</b>	<b>385.8</b>	<b>7,306.8</b>
Net profit						1,075.9	1,075.9
Change in development expenditure reserve for the year		1.5			-1.5		-
Other comprehensive income				-11.5			-11.5
<b>Total comprehensive income</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>-11.5</b>	<b>-1.5</b>	<b>1,075.9</b>	<b>1,064.4</b>
<b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b>							
Profit for the preceding year					385.8	-385.8	-
Distribution of surplus as refunds and interest					-445.3		-445.3
Allocated to statutory reserve							-
<i>New participation 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
<b>Equity carried forward 31 December 2017</b>	<b>6,770.6</b>	<b>3.1</b>	<b>164.4</b>	<b>-3.8</b>	<b>378.8</b>	<b>1,075.9</b>	<b>8,389.0</b>
<b>Equity carried forward 31 December 2017</b>	<b>6,770.6</b>	<b>3.1</b>	<b>164.4</b>	<b>-3.8</b>	<b>378.8</b>	<b>1,075.9</b>	<b>8,389.0</b>
Transition effect IFRS 9				3.8	-11.8		-8.0
<b>Equity brought forward 1 January 2018</b>	<b>6,770.6</b>	<b>3.1</b>	<b>164.4</b>	<b>-</b>	<b>367.0</b>	<b>1,075.9</b>	<b>8,381.0</b>
Net profit						718.1	718.1
Change in development expenditure reserve for the year		8.9			-8.9		-
Other comprehensive income							-
<b>Total comprehensive income</b>	<b>-</b>	<b>8.9</b>	<b>-</b>	<b>-</b>	<b>-8.9</b>	<b>718.1</b>	<b>718.1</b>
<b>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</b>							
Profit for the preceding year					1,075.9	-1,075.9	-
Distribution of surplus as refunds and interest					-969.8		-969.8
Allocated to statutory reserve							-
<i>New participation capital during the year</i>							
Participation capital from new members of the Society							-
Contributions from existing members	119.3						119.3
<b>Equity carried forward 31 December 2018</b>	<b>6,889.9</b>	<b>12.0</b>	<b>164.4</b>	<b>-</b>	<b>464.2</b>	<b>718.1</b>	<b>8,248.6</b>

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

## Note 27 Pledged assets, contingent liabilities and commitments

Group	2018	2017
<b>Pledged assets</b>		
<i>In the form of assets pledged for own provisions and liabilities</i>		
Deposited at the Riksbank		
– government bonds	521.6	3,690.4
Collateral pledged for derivative liabilities		
– government bonds	566.2	1,031.2
Marginal collateral pledged to a central clearing counterparty		
– government bonds	1,280.6	590.1
<b>Assets pledged, total</b>	<b>2,368.4</b>	<b>5,311.7</b>
<b>Contingent liabilities</b>	None	None
<b>Committed undisbursed loans</b>	2,144.4	2,476.2
<b>Committed loans</b>	1,213.5	1,834.3

The recognised value of liabilities and provisions involving pledges amounted to SEK 562.6 (1,407.0) million. To qualify for participation in RIX, the Riksbank's system for the transfer of account funds, Kommuninvest is required to deposit securities with the Riksbank. This is also a condition for short-term liquidity management via RIX.

## Note 28 Related party relationships

In 2018, the Kommuninvest Cooperative Society had related party transactions with Kommuninvest i Sverige AB. During the preceding year, the Group had related party relationships with the company Malin Norbäck Consulting AB.

Related party, in TSEK	Year	Sales of goods/ services to related parties	Purchase of goods/services from related parties	Other (interest)	Receivables from	Liabilities to
					related parties on 31 December	related parties on 31 December
Kommuninvest i Sverige AB	2018	153	1,091	–	1,639,816	167
	2017	118	5,990	9,652	1,752,320	–
Malin Norbäck Consulting AB	2018	–	–	–	–	–
	2017	–	705	–	–	–

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.

Malin Norbäck Consulting AB was classified as a related party to the Group in 2017 as that company has provided key personnel in leading positions. With regard to transactions with other key individuals in senior positions employed by Kommuninvest i Sverige AB, see Note 7.

## Note 29 Financial assets and liabilities

### Group

Financial assets and liabilities are presented in accordance with IFRS 9 as of 31 December 2018 and in accordance with IAS 39 as of 31 December 2017.

### Financial instruments broken down by valuation category

2018	Amortised cost	Fair value through the income statement			Recognised value	Fair value	
		Held for trade	Compulsory	Fair value option			Derivatives used for hedge accounting
<b>Financial assets</b>							
Sovereign bonds eligible as collateral	33,201.6	-	-	6,028.7	-	39,230.3	39,232.9
Lending to credit institutions	1,870.7	-	-	-	-	1,870.7	1,870.7
Lending	249,311.9	-	-	106,398.1	-	355,710.0	355,680.9
Bonds and other interest-bearing securities	-	-	-	7,457.8	-	7,457.8	7,457.8
Derivatives	-	-	8,413.7	-	2,919.5	11,333.2	11,333.2
Other assets	1,460.9	-	-	-	-	1,460.9	1,460.9
<b>Total</b>	<b>285,845.1</b>	<b>-</b>	<b>8,413.7</b>	<b>119,884.6</b>	<b>2,919.5</b>	<b>417,062.9</b>	<b>417,036.4</b>
<b>Financial liabilities</b>							
Liabilities to credit institutions <sup>1</sup>	0.8	-	-	583.2	-	584.0	584.0
Securities issued <sup>1</sup>	240,956.0	-	-	155,840.9	-	396,796.9	397,667.7
Derivatives	-	5,371.1	-	-	588.5	5,959.6	5,959.6
Subordinated liabilities	1,000.1	-	-	-	-	1,000.1	1,117.7
Other liabilities	4,570.5	-	-	-	-	4,570.5	4,570.5
<b>Total</b>	<b>246,527.4</b>	<b>5,371.1</b>	<b>-</b>	<b>156,424.1</b>	<b>588.5</b>	<b>408,911.1</b>	<b>409,899.5</b>

2017	Financial assets and liabilities valued at fair value through the income statement		Loan receivables and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Derivatives used for hedge accounting	Recognised value	Fair value
	Financial assets/liabilities determined as belonging to this category	Held for trade						
<b>Financial assets</b>								
Sovereign bonds eligible as collateral	12,998.3	-	-	11,637.5	-	-	24,635.8	24,635.8
Lending to credit institutions	-	-	698.5	-	-	-	698.5	698.5
Lending	72,929.9	-	237,217.4	-	-	-	310,147.3	310,438.6
Bonds and other interest-bearing securities	11,677.3	-	-	822.7	-	-	12,500.0	12,500.0
Derivatives	-	3,531.2	-	-	-	4,513.4	8,044.6	8,044.6
Other assets	-	-	799.5	-	-	-	799.5	799.5
<b>Total</b>	<b>97,605.5</b>	<b>3,531.2</b>	<b>238,715.4</b>	<b>12,460.2</b>	<b>-</b>	<b>4,513.4</b>	<b>356,825.7</b>	<b>357,117.0</b>
<b>Financial liabilities</b>								
Liabilities to credit institutions <sup>1</sup>	1,312.7	-	-	-	5.7	-	1,318.4	1,318.4
Securities issued <sup>1</sup>	116,878.6	-	-	-	220,877.2	-	337,755.8	339,396.6
Derivatives	-	7,040.4	-	-	-	753.5	7,793.9	7,793.9
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	663.9	-	663.9	663.9
<b>Total</b>	<b>118,191.3</b>	<b>7,040.4</b>	<b>-</b>	<b>-</b>	<b>221,546.8</b>	<b>753.5</b>	<b>347,532.0</b>	<b>349,172.8</b>

1) Nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 401,574.2 (405,274.4) 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.

*Note 29, continued*

**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.

Some of the financial instruments in Kommuninvest's debt portfolio and liquidity reserve are traded on active markets with quoted prices in accordance with level 1. For almost all of the remainder of the debt portfolio, liquidity reserve, 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 by discounting anticipated future cash flows by a discount rate set at 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 at lower margins.

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

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

***Liabilities to credit institutions, securities issued and other 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 at relevant reference rates 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 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 assets/cash collateral received, accounts receivable and payable, open items, as well as Group-internal receivables and debts.

***Significant assumptions and uncertainty factors***

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

An increase in the lending price, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in net profit of SEK 238 (158) million. An increase in the funding cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in net profit of SEK 259 (188) 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 +/- 22 (+/- 30) 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 +/- 23 (+/- 6) million.

All of the above changes refer to 31 December 2018 (comparative figures refer to 31 December 2017) 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. Exceptions are repurchases of funding or lending instruments, which always take place on the investors' or customers' initiative respectively, which lead to the 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 the income statement 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

*Note 29, continued*

how input data affect the estimated remaining maturity of the contract.

Kommuninvest has calculated the maturity at 2.1 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 – 2.7 years. This would have an effect on net profit in the interval SEK –5.3 million – SEK –0.6 million.

**Change in value due to expected 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.

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

**Changed valuation models**

During the period, Kommuninvest introduced OIS discounting on all derivatives – this was previously applied only to cleared derivatives. OIS discounting is considered to better reflect fair value. The change affects the overall value of the derivative portfolio positively by SEK 35.2 million as per 31 December 2018.

**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 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 recognised at fair value in the balance sheet**

2018	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	2,542.4	3,486.3	-	6,028.7
Lending	-	106,398.1	-	106,398.1
Bonds and other interest-bearing securities	2,389.1	5,068.7	-	7,457.8
Derivatives	0.0	11,204.2	129.0	11,333.2
<b>Total</b>	<b>4,931.5</b>	<b>126,157.3</b>	<b>129.0</b>	<b>131,217.8</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	583.2	-	583.2
Securities issued	89,764.9	58,209.7	7,866.3	155,840.9
Derivatives	-	4,168.1	1,791.5	5,959.6
<b>Total</b>	<b>89,764.9</b>	<b>62,961.0</b>	<b>9,657.8</b>	<b>162,383.7</b>
<b>2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
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
<b>Total</b>	<b>21,107.2</b>	<b>96,864.7</b>	<b>138.4</b>	<b>118,110.3</b>
<b>Financial liabilities</b>				
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
<b>Total</b>	<b>97,176.5</b>	<b>27,420.2</b>	<b>1,388.5</b>	<b>125,985.2</b>

## Note 29, continued

## Transfer between levels of instruments recognised at fair value in the balance sheet

	Recognised value 31 December 2018	Recognised value 31 December 2017
<b>Assets</b>		
To level 1 from level 2	-	40.2
To level 2 from level 1	7,797.5	-
<b>Liabilities</b>		
To level 1 from level 2	-	5,407.9
To level 2 from level 1	40,186.9	5,707.3

Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. The movements are attributable variations in the indicators that Kommuninvest uses to demarcate between level 1 and level 2 for bonds.

The indicators show the number of observations and their standard deviation for bond prices and a specific number of executable quotes. The transfers are considered to have taken place on 31 December 2018 and 31 December 2017 for the preceding period.

## Fair value of financial instruments not recognised at fair value in the balance sheet

2018	Level 1	Level 2	Level 3	Total fair value	Recognised value
<b>Financial assets</b>					
Sovereign bonds eligible as collateral	-	33,204.2	-	33,204.2	33,201.6
Lending to credit institutions	-	1,870.7	-	1,870.7	1,870.7
Lending	-	249,282.8	-	249,282.8	249,311.9
Other assets	-	1,460.9	-	1,460.9	1,460.9
<b>Total</b>	-	<b>285,818.6</b>	-	<b>285,818.6</b>	<b>285,845.1</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	0.8	-	0.8	0.8
Securities issued	-	241,826.8	-	241,826.8	240,956.0
Subordinated liabilities	-	1,117.7	-	1,117.7	1,000.1
Other liabilities	-	4,570.5	-	4,570.5	4,570.5
<b>Total</b>	-	<b>247,515.8</b>	-	<b>247,515.8</b>	<b>246,527.4</b>
<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>Recognised value</b>
<b>Financial assets</b>					
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
<b>Total</b>	-	<b>239,006.7</b>	-	<b>239,006.7</b>	<b>238,715.4</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	5.7	-	5.7	5.7
Securities issued	125,895.2	96,622.8	-	222,518.0	220,877.2
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	663.9	-	663.9	663.9
<b>Total</b>	<b>125,895.2</b>	<b>97,292.4</b>	-	<b>223,187.6</b>	<b>221,546.8</b>

## FINANCIAL STATEMENTS

### Note 29, continued

#### Changes in level 3

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

	Derivative assets	Derivative liabilities	Securities issued	Total
<b>Opening balance, 1 January 2017</b>	<b>222.7</b>	<b>-188.2</b>	<b>-6,253.5</b>	<b>-6,219.0</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-84.3	125.0	-34.3	6.4
Borrowings raised/Securities issued	-	-	-3,177.8	-3,177.8
Maturing during the year	-	-	8,140.3	8,140.3
<b>Closing balance, 31 December 2017</b>	<b>138.4</b>	<b>-63.2</b>	<b>-1,325.3</b>	<b>-1,250.1</b>

Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2017

	3.3	1.6	-4.6	0.3
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<b>Opening balance, 1 January 2018</b>	<b>138.4</b>	<b>-63.2</b>	<b>-1,325.3</b>	<b>-1,250.1</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-9.4	-1,728.3	1,716.8	-20.9
Borrowings raised/Securities issued	-	-	-8,911.6	-8,911.6
Maturing during the year	-	-	653.8	653.8
<b>Closing balance, 31 December 2018</b>	<b>129.0</b>	<b>-1,791.5</b>	<b>-7,866.3</b>	<b>-9,528.8</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2018	-35.0	-1,691.1	1,705.3	-20.8

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.

## Note 30 Information on financial assets and liabilities subject to netting

### Group

Kommuninvest nets 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 netting in the balance sheet, since the legal right of netting only applies for a stated type of suspension of payments, insolvency or bankruptcy.

2018	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral - security	Provided (+)/Received (-) cash collateral	
<b>Assets</b>							
Derivatives	13,288.4	-1,955.2	<b>11,333.2</b>	-2,955.3	-4,151.9	-3,771.8	<b>454.2</b>
<b>Liabilities</b>							
Derivatives	-7,262.7	1,303.1	<b>-5,959.6</b>	2,955.3	558.1	1,281.3	<b>-1,164.9</b>
<b>Total</b>	<b>6,025.7</b>	<b>-652.1</b>	<b>5,373.6</b>	<b>-</b>	<b>-3,593.8</b>	<b>-2,490.5</b>	<b>-710.7</b>

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

1) The netted amount for derivative liabilities includes cash collateral of SEK 652 million as per 31 December 2018 and SEK 390 million as per 31 December 2017.

## Note 31 Events after the balance sheet date

After the balance sheet date, Region Blekinge joined as a member of the Kommuninvest Cooperative Society. Accordingly, the Society now has 289 members, of which 277 are municipalities and 12 are regions.

## Note 32 Effects of transition to IFRS 9

The tables in this note describe the transition effects from IAS 39 to IFRS 9. The effects have been adjusted in the opening balance as per 1 January 2018 and earnings effects are adjusted in profit or loss brought forward. No comparative figures have been recalculated. The transition entailed a negative impact on equity of SEK 8.0 million, of which SEK 0.8 million relates to investments reported in accordance with IAS 39 that are available for sale, which, in accordance with IFRS 9, are reported at amortised cost.

The impact of expected credit losses on assets reported at amortised cost amounts to SEK 7.2 million, of which SEK 6.6 million relates to lending and SEK 0.6 million relates to the liquidity reserve. For further information, see Note 2. The financial assets reclassified from available for sale at amortised cost matured during 2018. If the assets had not been reclassified, they would have affected other comprehensive income by SEK 0.8 million.

### Consolidated balance sheet

	Recognised value in accordance with IAS 39 31 December 2017	Transition effect impairment	Transition effect reclassification	Recognised value in accordance with IFRS 9 1 January 2018
<b>ASSETS</b>				
Sovereign bonds eligible as collateral	24,635.8	-0.5	-0.5	24,634.8
Lending to credit institutions	698.5	-0.1	-	698.4
Lending	310,147.3	-6.5	-	310,140.8
Bonds and other interest-bearing securities	12,500.0	0.0	-0.3	12,499.7
Shares and participations	-	-	-	-
Derivatives	8,044.6	-	-	8,044.6
Intangible assets	10.9	-	-	10.9
Tangible assets, equipment	7.4	-	-	7.4
Tangible assets, land and buildings	31.1	-	-	31.1
Current tax assets	80.7	-	-	80.7
Other assets	802.4	-	-	802.4
Deferred tax assets	0.6	-	-	0.6
Prepaid expenses and accrued revenues	12.1	-	-	12.1
<b>TOTAL ASSETS</b>	<b>356,971.4</b>	<b>-7.1</b>	<b>-0.8</b>	<b>356,963.5</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>				
<b>Liabilities and provisions</b>				
Liabilities to credit institutions	1,318.4	-	-	1,318.4
Securities issued	337,755.8	-	-	337,755.8
Derivatives	7,793.9	-	-	7,793.9
Other liabilities	671.0	-	-	671.0
Accrued expenses and prepaid revenues	43.2	-	-	43.2
Provisions	-	0.1	-	0.1
Subordinated liabilities	1,000.1	-	-	1,000.1
<b>Total liabilities and provisions</b>	<b>348,582.4</b>	<b>0.1</b>	<b>0.0</b>	<b>348,582.5</b>
<b>Equity</b>				
Participation capital	6,770.6	-	-	6,770.6
Reserves	-0.7	-	3.8	3.1
Profit or loss brought forward	543.2	-7.2	-4.6	531.4
Net profit	1,075.9	-	-	1,075.9
<b>Total equity</b>	<b>8,389.0</b>	<b>-7.2</b>	<b>-0.8</b>	<b>8,381.0</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>	<b>356,971.4</b>	<b>-7.1</b>	<b>-0.8</b>	<b>356,963.5</b>

Note 32, continued

## Reclassification of financial assets on transition to IFRS 9

	Amortised cost	Fair value through the income statement – fair value option	Available for sale	Loans and receivables	Total
<b>Sovereign bonds eligible as collateral</b>					
31 December 2017 IAS 39	-	12,998.3	11,637.5	-	24,635.8
Reclassification	11,637.5	-	-11,637.5	-	-
Revaluation – classification	-0.5	-	-	-	-0.5
Expected credit losses	-0.5	-	-	-	-0.5
<b>1 January 2018 IFRS 9</b>	<b>11,636.5</b>	<b>12,998.3</b>	<b>-</b>	<b>-</b>	<b>24,634.8</b>
<b>Lending to credit institutions</b>					
31 December 2017 IAS 39	-	-	-	649.7	649.7
Reclassification	649.7	-	-	-649.7	-
Expected credit losses	-0.1	-	-	-	-0.1
<b>1 January 2018 IFRS 9</b>	<b>649.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>649.6</b>
<b>Lending</b>					
31 December 2017 IAS 39	-	72,929.9	-	237,217.4	310,147.3
Reclassification	237,217.4	-	-	-237,217.4	-
Expected credit losses	-6.5	-	-	-	-6.5
<b>1 January 2018 IFRS 9</b>	<b>237,210.9</b>	<b>72,929.9</b>	<b>-</b>	<b>-</b>	<b>310,140.8</b>
<b>Bonds and other interest-bearing securities</b>					
31 December 2017 IAS 39	-	11,677.3	822.7	-	12,500.0
Reclassification	822.7	-	-822.7	-	-
Revaluation – classification	-0.3	-	-	-	-0.3
Expected credit losses	0.0	-	-	-	0.0
<b>1 January 2018 IFRS 9</b>	<b>822.4</b>	<b>11,677.3</b>	<b>-</b>	<b>-</b>	<b>12,499.7</b>
<b>Provisions</b>					
31 December 2017 IAS 39	-	-	-	-	-
Expected credit losses	0.1	-	-	-	0.1
<b>1 January 2018 IFRS 9</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>

# Five-year summary – Group

Key ratios 2014-2018, SEK, million	2018	2017	2016	2015	2014
<b>Equity</b>					
Core Tier I capital ratio (%)	187.7	218.0	106.6	46.2	35.6
Tier I capital ratio (%)	187.7	218.0	106.6	46.2	35.6
Total capital ratio (%)	192.8	231.4	117.6	56.9	47.4
Leverage ratio according to CRR (%)	1.74	1.82	1.60	0.90	0.79
<b>Net profit</b>					
Operating profit excluding the effect of unrealised changes in market value	557.4	677.9	581.7	534.5	655.8
Operating expenses, excluding the resolution fee/stability fee, as % of lending <sup>1</sup>	0.061	0.071	0.077	0.072	0.082
Operating expenses, excluding the resolution charge/stability fee, as % of the balance sheet total <sup>1</sup>	0.052	0.061	0.059	0.054	0.059
Return on assets (%)	0.172	0.301	0.107	0.203	0.230
Cost/income ratio	0.326	0.323	0.320	0.379	0.320
1) The resolution fee replaced the stability fee during 2016.					
<b>Other information</b>					
Number of employees at the end of the year	92	96	91	85	77
<b>Income statement 1 January – 31 December, SEK, million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net interest income	872.5	878.7	761.9	798.3	914.9
Commission expenses	-8.2	-7.3	-5.2	-5.3	-5.1
Net result of financial transactions	161.4	512.0	-131.9	165.7	101.9
Other operating income	7.6	6.2	7.2	4.5	3.3
<b>Total operating income</b>	<b>1,033.3</b>	<b>1,389.6</b>	<b>632.0</b>	<b>963.2</b>	<b>1,015.0</b>
<b>Total expenses</b>	<b>-287.2</b>	<b>-285.7</b>	<b>-245.8</b>	<b>-304.5</b>	<b>-293.8</b>
<b>Profit before credit losses</b>	<b>746.1</b>	<b>1,103.9</b>	<b>386.2</b>	<b>658.7</b>	<b>721.2</b>
Net credit losses	-24.3	-	-	-	-
<b>Operating profit</b>	<b>721.8</b>	<b>1,103.9</b>	<b>386.2</b>	<b>658.7</b>	<b>721.2</b>
Tax	-3.7	-28.0	-0.4	31.2	-2.6
<b>Net profit</b>	<b>718.1</b>	<b>1,075.9</b>	<b>385.8</b>	<b>689.9</b>	<b>718.6</b>
<b>Balance sheet summary as at 31 December, SEK million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sovereign bonds eligible as collateral	39,230.3	24,635.8	16,964.4	16,839.4	15,204.1
Lending to credit institutions	1,870.7	698.5	1,150.8	717.3	4,070.2
Lending	355,710.0	310,147.3	276,982.1	254,421.7	222,803.7
Bonds and other interest-bearing securities	7,457.8	12,500.0	42,003.9	45,688.4	45,974.5
Derivatives	11,333.2	8,044.6	24,449.8	22,775.6	23,848.8
Other assets	1,609.0	945.2	178.2	173.4	190.7
<b>Total assets</b>	<b>417,211.0</b>	<b>356,971.4</b>	<b>361,729.2</b>	<b>340,615.8</b>	<b>312,092.0</b>
Liabilities to credit institutions	584.0	1,318.4	2,396.1	2,303.5	4,823.6
Securities issued	396,796.9	337,755.8	341,579.4	318,943.6	292,318.0
Derivatives	5,959.6	7,793.9	9,390.5	11,723.1	10,628.3
Other liabilities	4,621.8	714.2	56.4	163.9	160.6
Subordinated liabilities	1,000.1	1,000.1	1,000.0	1,000.0	1,000.1
<b>Total liabilities and provisions</b>	<b>408,962.4</b>	<b>348,582.4</b>	<b>354,422.4</b>	<b>334,134.1</b>	<b>308,930.6</b>
Equity	8,248.6	8,389.0	7,306.8	6,481.7	3,161.4
<b>Total liabilities, provisions and equity</b>	<b>417,211.0</b>	<b>356,971.4</b>	<b>361,729.2</b>	<b>340,615.8</b>	<b>312,092.0</b>

# Alternative performance measurements

## – Group

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

reporting. 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	2018	2017		
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	721.8	1,103.9		
		Result of unrealised changes in market value	164.4	426.0		
		<b>Operating profit excluding the effect of unrealised changes in market value</b>	<b>557.4</b>	<b>677.9</b>		
Operating expenses, excluding the resolution fee, as % of lending	Operating expenses over the financial year, excluding the resolution fee in relation to the carrying value of lending on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to lending, adjusted for the resolution fee.	General administration expenses	-273.5	-273.0		
		Depreciation and impairment	-9.2	-9.2		
		Other operating expenses	-4.5	-3.5		
		Total operating expenses	-287.2	-285.7		
		Resolution fee	-69.1	-66.3		
		<b>Total operating expenses excluding the resolution fee</b>	<b>-218.1</b>	<b>-219.4</b>		
		<b>Lending as per the closing date</b>	<b>355,710.0</b>	<b>310,147.3</b>		
		<b>Operating expenses, excluding the resolution fee, as % of lending</b>	<b>0.061</b>	<b>0.071</b>		
		Operating expenses, excluding the resolution fee, as % of balance sheet total	Total operating expenses over the financial year, excluding the resolution fee in relation to the balance sheet total on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to total assets, adjusted for the resolution fee.	General administration expenses	-273.5	-273.0
				Depreciation and impairment	-9.2	-9.2
Other operating expenses	-4.5			-3.5		
Total operating expenses	-287.2			-285.7		
Resolution fee	-69.1			-66.3		
<b>Total operating expenses excluding the resolution fee</b>	<b>-218.1</b>			<b>-219.4</b>		
<b>Total assets as per the closing date</b>	<b>417,211.0</b>			<b>356,971.4</b>		
<b>Operating expenses, excluding the resolution fee, as % of balance sheet total</b>	<b>0.052</b>			<b>0.061</b>		
Return on assets (%)	Net profit in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.			Net profit	718.1	1,075.9
				Total assets	417,211.0	356,971.4
		<b>Return on assets (%)</b>	<b>0.172</b>	<b>0.301</b>		
Cost/income ratio	Total expenses in relation to total net interest income and other operating income. An established key ratio in the banking sector for assessing the relationship between expenses and income.	<b>Total expenses</b>	<b>-287.2</b>	<b>-285.7</b>		
		Net interest income	872.5	878.7		
		Other operating income	7.6	6.2		
		<b>Total net interest income and other operating income</b>	<b>880.1</b>	<b>884.9</b>		
		<b>Cost/income ratio</b>	<b>0.326</b>	<b>0.323</b>		

# Signatures

The Board of Directors and the President certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as determined by the IASB and adopted by the EU, and provide a true and fair view of the Group's financial position and earnings. The Parent Society's accounts have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Parent Society's financial position and earnings. The Board of Directors' 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 6 March 2019. The Group 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 11 April 2019.

Stockholm, 6 March 2019

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*

Maria Alfredsson  
*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 8 March 2019

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 2018. The Society's annual and consolidated accounts are included on pages 23–100 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 2018 and its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and give, in all material respects, a true and fair view of the Group's financial position as of 31 December 2018 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 and 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 Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of 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 accounts and this is presented on pages 3–21 and 105–107. 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 President

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 the 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.

### Auditor's responsibility

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

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

##### Opinions

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 2018 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 Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of 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 judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Society's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Society's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As the basis for our opinion on the Board of Directors' proposal regarding the appropriation of the Society's profit or loss, we have considered whether or not the proposal is consistent with the Economic Associations Act.

Stockholm, 8 March 2019

KPMG AB

Anders Tagde  
*Authorised Public Accountant*

# Review Report for 2018

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 2018.

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.

The lay auditors are also tasked by the Annual General Meeting of the Kommuninvest Cooperative Society to review Kommuninvest i Sverige AB. Over the year, we conducted a fundamental review of the operations, as well as their internal governance, control and representation. We have also monitored the work of the Board of Directors by means of the minutes recorded at its meetings. In 2018, thorough and in-depth reviews were performed of compliance with the GDPR and the NIS Directives. The lay auditors would particularly like to draw the attention of the Annual General Meeting to the results of both the in-depth and the basic reviews.

On the whole, it is our assessment that the Company's operations have been managed adequately and, from an economic perspective, satisfactorily. In our assessment, the Company's internal control has been adequate.

Örebro, 8 March 2019

Barbro Hassel

Cecilia Löfgreen

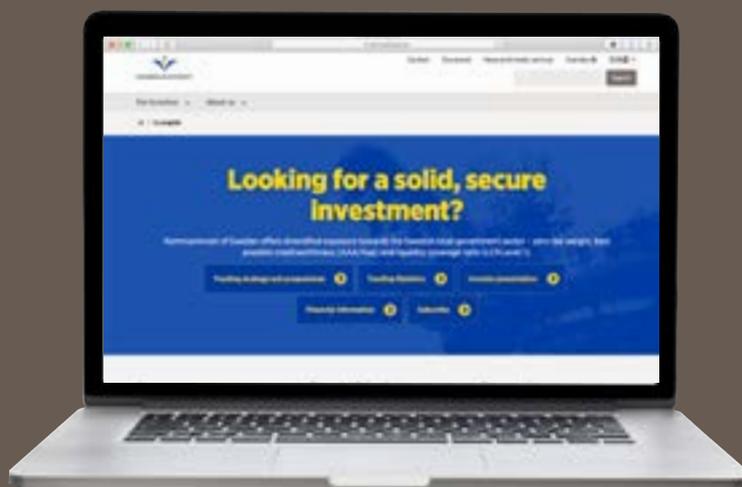
# Members of the Kommuninvest Cooperative Society

Name of member	Member No.	Population 31 Dec 2018	Member year	Name of member	Member No.	Population 31 Dec 2018	Member year
Municipality of Gävle	1	101,455	1993	Municipality of Katrineholm	50	34,550	1994
Municipality of Umeå	2	127,119	1993	Municipality of Vadstena	51	7,514	1994
City of Trollhättan	3	58,728	1993	Municipality of Pajala	52	6,039	1994
Municipality of Lindsberg	4	23,575	1993	Municipality of Piteå	53	42,116	1994
Municipality of Uddevalla	5	56,259	1993	Municipality of Kristianstad	54	84,908	1994
Municipality of Vänersborg	6	39,411	1993	Municipality of Berg	55	7,097	1995
Municipality of Sandviken	7	39,208	1993	Municipality of Vårgårda	56	11,658	1995
Municipality of Varberg	8	63,630	1993	Municipality of Ödeshög	57	5,323	1995
Municipality of Mjölby	9	27,373	1996	Municipality of Orsa	58	6,892	1995
Region Örebro County	10	302,252	1993	Municipality of Svedala	59	21,576	1995
Municipality of Örebro	11	153,367	1993	Municipality of Lomma	60	24,763	1995
Municipality of Kumla	12	21,640	1993	Municipality of Lekeberg	61	8,116	1995
Municipality of Laxå	13	5,637	1993	Municipality of Kungsör	62	8,667	1995
Municipality of Ljusnarsberg	14	4,846	1993	Municipality of Tjörns	63	15,922	1995
Municipality of Karlskoga	15	30,419	1993	Municipality of Staffanstorps	64	24,724	1995
Municipality of Hallsberg	16	15,954	1993	Municipality of Härryda	65	37,802	1995
Municipality of Degerfors	17	9,665	1993	Municipality of Grums	66	9,016	1995
Municipality of Askersund	18	11,313	1993	Municipality of Höganäs	67	26,566	1995
Municipality of Nora	19	10,737	1993	Municipality of Ängelholm	68	42,131	1995
Municipality of Hällefors	20	6,983	1993	Municipality of Flen	69	16,705	1995
Municipality of Härnösand	21	25,120	1993	Municipality of Essunga	70	5,671	1995
Municipality of Ale	22	30,926	1993	Municipality of Nordmaling	71	7,118	1995
Municipality of Norberg	23	5,795	1993	Municipality of Oskarshamn	72	26,928	1996
Municipality of Karlskrona	24	66,675	1993	Municipality of Båstad	73	14,948	1996
Municipality of Skellefteå	25	72,467	1994	Municipality of Storuman	74	5,912	1996
Municipality of Västerviks	26	36,680	1994	Municipality of Älvdalen	75	7,121	1996
Municipality of Fagersta	27	13,464	1994	Municipality of Sunne	76	13,261	1995
Region Gotland	28	59,249	1994	Municipality of Hjo	77	9,176	1996
Municipality of Alingsås	29	41,070	1994	Municipality of Mönsterås	78	13,565	1996
Municipality of Smedjebacken	30	10,897	1994	Municipality of Malå	79	3,122	1997
Municipality of Boxholm	31	5,449	1994	Municipality of Högsby	80	6,094	1997
Municipality of Ockelbo	32	5,906	1994	Municipality of Torsby	81	11,719	1997
Municipality of Tanums	33	12,873	1994	Municipality of Lycksele	82	12,228	1997
Municipality of Borlänge	34	52,224	1994	Municipality of Bengtsfors	83	9,846	1997
Municipality of Strömsund	35	11,703	1994	Municipality of Åstorp	84	15,987	1997
Municipality of Kungsbacka	36	83,348	1994	Municipality of Simrishamn	85	19,278	1997
Municipality of Valdemarsvik	37	7,956	1994	Municipality of Vimmerby	86	15,764	1997
Municipality of Eda	38	8,575	1994	Municipality of Hultsfred	87	14,360	1997
Municipality of Gnosjö	39	9,776	1994	Municipality of Mörbylånga	88	15,048	1997
Municipality of Övertorneå	40	4,410	1994	Municipality of Arvika	89	26,082	1997
Municipality of Hedemora	41	15,457	1994	Municipality of Hammarö	90	16,483	1997
Municipality of Luleå	42	77,832	1994	Municipality of Karlshamn	91	32,330	1997
Municipality of Falu	43	58,923	1994	Municipality of Skara	92	18,829	1997
City of Landskrona	44	45,775	1994	Municipality of Sävsjö	93	11,631	1997
Municipality of Arboga	45	14,138	1994	Municipality of Skurup	94	15,759	1998
Municipality of Munkedal	46	10,503	1994	Municipality of Vindeln	95	5,436	1998
Municipality of Orust	47	15,110	1994	Municipality of Rättvik	96	10,907	1998
Municipality of Falkenberg	48	44,701	1994	Municipality of Mellerud	97	9,354	1998
Region Sörmland	49	294,695	1994	Municipality of Färgelanda	98	6,602	1998

## LIST OF MEMBERS

Name of member	Member No.	Population 31 Dec 2018	Member year	Name of member	Member No.	Population 31 Dec 2018	Member year
Municipality of Söderköping	99	14,618	1998	Municipality of Bollnäs	156	26,991	2004
Municipality of Vetlanda	100	27,504	1998	Municipality of Storfors	157	4,055	2004
Municipality of Herrljunga	101	9,494	1999	Municipality of Huddinge	158	111,722	2004
Municipality of Laholm	102	25,491	1999	Municipality of Häbo	159	21,564	2005
Region Gävleborg	103	286,547	1999	Municipality of Gällivare	160	17,630	2005
Municipality of Mark	104	34,781	1999	Region Uppsala	161	376,354	2005
Municipality of Leksand	105	15,804	1999	Municipality of Kramfors	162	18,423	2005
Municipality of Strömstad	106	13,253	1999	Municipality of Haparanda	163	9,785	2005
Municipality of Upplands-Bro	107	28,756	1999	Municipality of Krokom	164	14,858	2005
Municipality of Alvesta	108	20,150	1999	Municipality of Arvidsjaur	165	6,334	2005
Municipality of Kalix	109	16,058	1999	Municipality of Mariestad	166	24,372	2005
Municipality of Bräcke	110	6,376	2000	Municipality of Åsele	167	2,819	2005
Municipality of Örkelljunga	111	10,174	2000	Municipality of Sollefteå	168	19,500	2005
Municipality of Götene	112	13,232	2000	Municipality of Örnsköldsvik	169	56,089	2005
Municipality of Ovanåker	113	11,684	2000	Municipality of Karlstad	170	92,497	2005
Municipality of Ydre	114	3,743	2001	Municipality of Surahammar	171	10,088	2005
Municipality of Bollebygd	115	9,427	2001	Municipality of Filipstad	172	10,837	2005
Municipality of Torsås	116	7,098	2001	Municipality of Motala	173	43,687	2005
Municipality of Habo	117	12,140	2001	Municipality of Jokkmokk	174	5,001	2005
Municipality of Gagnef	118	10,271	2001	Municipality of Hallstahammar	175	16,186	2006
Municipality of Sotenäs	119	9,030	2001	Municipality of Avesta	176	23,323	2006
Municipality of Köping	120	26,268	2001	Municipality of Trosa	177	13,309	2006
Municipality of Boden	121	28,064	2001	Municipality of Lilla Edet	178	14,046	2006
Municipality of Tranemo	122	11,874	2001	Municipality of Skinnskatteberg	179	4,429	2006
Municipality of Nässjö	123	31,477	2001	Municipality of Kiruna	180	22,992	2006
Municipality of Kinda	124	9,915	2001	Municipality of Finspång	181	21,758	2006
Municipality of Sigtuna	125	48,130	2002	Municipality of Lysekil	182	14,611	2006
Municipality of Karlsborg	126	6,941	2002	Municipality of Söderhamn	183	25,721	2006
Municipality of Robertsfors	127	6,762	2002	Municipality of Hudiksvall	184	37,430	2006
Municipality of Älvsbyn	128	8,140	2002	Region Norrbotten	185	250,497	2006
Municipality of Mora	129	20,390	2002	Municipality of Dorotea	186	2,568	2006
Municipality of Tranås	130	18,987	2002	Municipality of Nordanstig	187	9,517	2006
Municipality of Eksjö	131	17,667	2002	Municipality of Arjeplog	188	2,794	2006
Municipality of Heby	132	13,910	2002	Municipality of Botkyrka	189	93,106	2006
Municipality of Oxelösund	133	12,062	2003	Municipality of Nybro	190	20,350	2007
Municipality of Haninge	134	89,989	2003	Municipality of Hagfors	191	11,698	2007
Municipality of Kungälv	135	45,086	2003	Municipality of Vännäs	192	8,785	2007
Municipality of Tomelilla	136	13,557	2003	Municipality of Bjurholm	193	2,450	2007
Municipality of Växjö	137	92,567	2003	Municipality of Eskilstuna	194	105,924	2007
Municipality of Trelleborg	138	44,902	2003	Municipality of Gnesta	195	11,237	2007
Municipality of Lessebo	139	8,780	2003	Municipality of Forshaga	196	11,518	2007
Municipality of Säter	140	11,123	2003	Municipality of Kalmar	197	68,510	2007
Municipality of Ånge	141	9,411	2003	Municipality of Sjöbo	198	19,153	2007
Region Västmanland	142	273,929	2003	Municipality of Stenungsund	199	26,503	2007
Municipality of Ljusdal	143	19,033	2003	Municipality of Strängnäs	200	35,761	2007
Municipality of Norsjö	144	4,094	2003	Municipality of Åre	201	11,529	2007
Municipality of Hofors	145	9,602	2003	Municipality of Ludvika	202	26,946	2007
Municipality of Överkalix	146	3,302	2004	Municipality of Lerum	203	42,137	2007
Municipality of Kil	147	11,962	2004	Municipality of Nykvarns	204	10,923	2007
Municipality of Härjedalen	148	10,147	2004	Municipality of Vilhelmina	205	6,752	2007
Region Värmland	149	281,482	2004	Municipality of Emmaboda	206	9,400	2007
Municipality of Eslov	150	33,557	2004	Municipality of Vansbro	207	6,807	2007
Municipality of Mullsjö	151	7,324	2004	Municipality of Töreboda	208	9,312	2007
Municipality of Vingåker	152	9,136	2004	Municipality of Sölvesborg	209	17,468	2007
Municipality of Munkfors	153	3,789	2004	Municipality of Ragunda	210	5,343	2007
Municipality of Ystad	154	30,226	2004	Municipality of Osby	211	13,267	2008
Municipality of Säfte	155	15,643	2004	Municipality of Vaggeryd	212	13,980	2008

<b>Name of member</b>	<b>Member No.</b>	<b>Population 31 Dec 2018</b>	<b>Member year</b>	<b>Name of member</b>	<b>Member No.</b>	<b>Population 31 Dec 2018</b>	<b>Member year</b>
Municipality of Timrå	213	18,060	2008	Municipality of Värnamo	270	34,428	2012
Municipality of Knivsta	214	18,720	2008	Municipality of Södertälje	271	97,381	2012
Municipality of Åtvidaberg	215	11,537	2008	City of Gothenburg	272	571,868	2012
Municipality of Uppvidinge	216	9,581	2008	Municipality of Skövde	273	55,729	2012
Municipality of Svenljunga	217	10,683	2008	City of Sundbyberg	274	50,564	2012
Municipality of Tingsryd	218	12,407	2008	Municipality of Uppsala	275	225,164	2013
Municipality of Jönköping	219	139,222	2008	Municipality of Tibro	276	11,168	2013
Municipality of Lund	220	122,948	2008	Municipality of Järfälla	277	78,480	2013
Municipality of Ulricehamn	221	24,445	2008	Municipality of Svalöv	278	14,123	2013
Municipality of Tierp	222	21,127	2008	Municipality of Klippan	279	17,600	2014
Municipality of Grästorp	223	5,731	2008	Municipality of Markaryd	280	10,260	2014
Municipality of Malung-Sälen	224	10,106	2009	Region Jämtland Härjedalen	281	130,280	2016
Municipality of Östra Göinge	225	14,915	2009	Municipality of Partille	282	38,443	2016
Municipality of Årjäng	226	10,011	2009	Region Kronoberg	283	199,886	2016
Municipality of Dals-Ed	227	4,806	2009	Municipality of Sollentuna	284	72,528	2016
City of Vaxholm	228	12,023	2009	Municipality of Kävlinge	285	31,491	2016
Municipality of Älvkarleby	229	9,392	2009	Region Västerbotten	286	270,154	2016
Municipality of Ljungby	230	28,573	2009	City of Mölndal	287	68,152	2017
Municipality of Hörby	231	15,635	2009	Municipality of Linköping	288	161,034	2017
Municipality of Älmhult	232	17,568	2009				
Municipality of Burlöv	233	18,360	2009				
Municipality of Hässleholm	234	52,121	2009				
Municipality of Olofström	235	13,516	2009				
Municipality of Sala	236	22,816	2009				
Municipality of Öckerö	237	12,945	2009				
Municipality of Kristinehamn	238	24,336	2009				
Municipality of Östhammar	239	22,048	2009				
Municipality of Bromölla	240	12,876	2009				
Municipality of Gullspångs	241	5,293	2009				
Municipality of Aneby	242	6,832	2009				
Municipality of Lidköping	243	39,879	2009				
Municipality of Bjuv	244	15,501	2009				
Municipality of Nynäshamn	245	28,290	2009				
Municipality of Norrköping	246	141,676	2009				
Municipality of Halmstad	247	101,268	2009				
Municipality of Ronneby	248	29,695	2009				
Municipality of Sorsele	249	2,522	2010				
Municipality of Falköping	250	33,155	2010				
Municipality of Upplands Väsby	251	45,543	2010				
Municipality of Hylte	252	10,914	2010				
Municipality of Borgholm	253	10,873	2010				
Municipality of Höör	254	16,637	2010				
Municipality of Vara	255	15,952	2010				
Municipality of Vallentuna	256	33,432	2010				
Municipality of Salem	257	16,786	2010				
Municipality of Tyresö	258	48,004	2010				
Municipality of Tidaholm	259	12,828	2010				
Municipality of Värmdö	260	44,397	2010				
Municipality of Norrtälje	261	61,769	2011				
Region Dalarna	262	287,191	2011				
City of Solna	263	80,950	2011				
Municipality of Perstorp	264	7,479	2011				
Municipality of Nyköping	265	56,011	2011				
Municipality of Gislaved	266	29,857	2011				
City of Borås	267	112,178	2011				
Municipality of Enköping	268	44,429	2012				
Municipality of Åmål	269	12,720	2012				



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