

KOMMUNINVEST COOPERATIVE SOCIETY

Annual Report 2019



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.

278 + 12

Kommuninvest is owned by 278 municipalities and 12 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 63 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. The Kommuninvest Cooperative Society (the Society) and the credit market company Kommuninvest i Sverige AB (the Company).

Kommuninvest Cooperative Society

Administers 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.



Kommuninvest i Sverige AB 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 407 bn

Lending to members amounted to SEK 407 billion at the end of 2019.

Important events during the year

In 2019, Kommuninvest's total lending grew beyond SEK 400 billion and the proportion of Green Loans continued to increase. On account of the low sustainability risks in its operations, Kommuninvest's ESG ratings were raised by two sustainability assessors. KI Finans and KI Offert were also developed, with new functions being added to aid customers.



Green Loans have financed Svealandstrafiken's biogas buses

Green Loans reach 10 percent of lending

The strong demand for Green Loans continued in 2019. At the end of the year, the volume of Green Loans granted had increased to SEK 63.1 (39.5) billion, relating to 346 (232) investment projects in 150 (109) municipalities and regions. The volume of Green Loans disbursed increased to SEK 41.0 (26.2) billion, corresponding to 10.1 (7.4) percent of Kommuninvest's total lending.

Lending surpassed SEK 400 billion

In 2019, Kommuninvest's lending passed SEK 400 billion. Lending increased to both larger and smaller municipalities, as well as to municipalities both with and without their own market programmes. The increase is greatest among the municipalities with their own market programmes, which can be interpreted as implying that Kommuninvest's pricing has been attractive. In 2019, sector debt was expected to rise 9.9 percent, exceeding the average of 7.1 percent for the past ten years. This increased funding is attributable to extensive investment being required, stemming from population growth and maintenance needs. Alongside the economy slowing down and the municipalities' expenses increasing, this requires that investments be financed through loans.

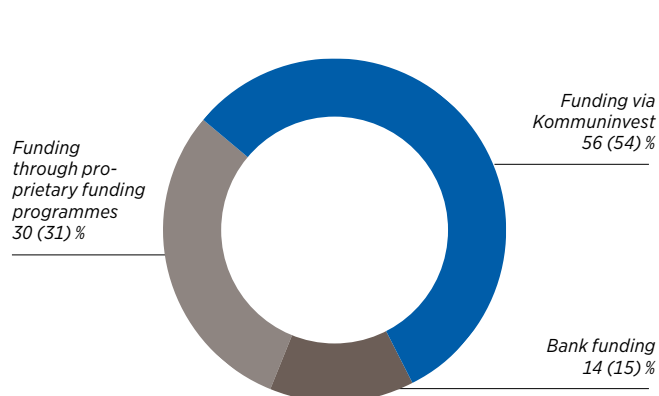
Higher ESG rating from two institutes

Over the year, Kommuninvest raised its ESG ratings from the ISS-Oekom and Sustainalytics institutes. The rating from ISS-Oekom was raised in two steps to B-; while Sustainalytics gave an ESG rating of 9.1, in the category "negligible ESG risk". The results show that Kommuninvest belongs to the group of financial institutions whose operations are considered least exposed to sustainability risks.

KI Finans being developed

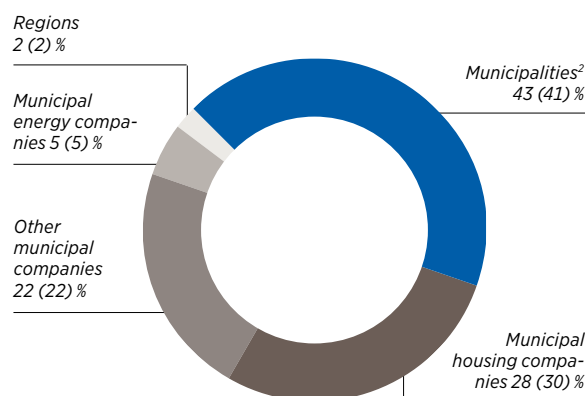
Over the year, Kommuninvest continued its efforts to simplify matters for our customers by further developing, for example, the signing application in KI Finans, allowing our customers to sign loan agreements with mobilt BankID. The service is now offered to all municipalities, regions and wholly-owned companies. Over the year, KI Offert, with which the customer can request a digital quotation request from Kommuninvest, was further developed in consultation with customers and has been extended with requests now being automatically registered in our internal systems and a quotation is compiled on the basis of the customer's wishes. Several functions will be developed and launched in 2020, including an opportunity to sign transactions directly in KI Finans.

MARKET SHARES, LOCAL GOVERNMENT LOAN FINANCING¹



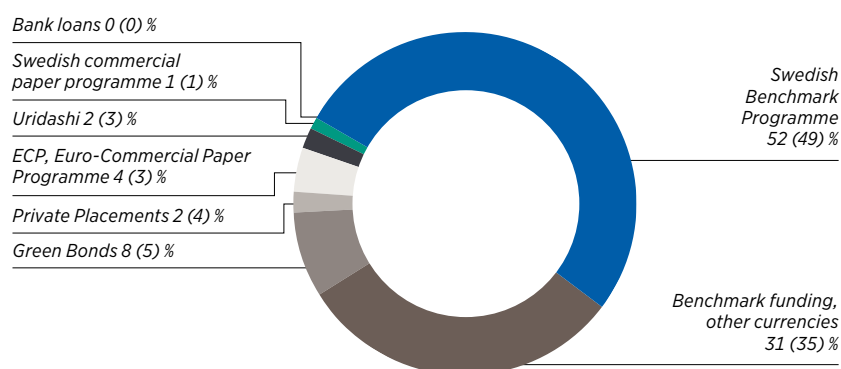
1) Forecast regarding outstanding funding (figures in brackets refer to actual outstanding funding in accordance with members' own annual reports as per 31 December 2018)

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 2019. Figures in parentheses refer to 31 December 2018.

MULTI-YEAR SUMMARY, KOMMUNINVEST GROUP

	2019	2018	2017	2016	2015
Balance sheet total, SEK billion	471.3	417.2	357.0	361.7	340.6
Lending (recognised value), SEK, billion	408.2	355.7	310.1	277.0	254.4
Net profit, SEK, million	353.8	718.1	1,075.9	358.8	689.9
Members, total	290	288	288	286	280
of which, municipalities	278	277	277	275	272
of which, regions	12	11	11	11	8
Core Tier I capital ratio ¹ , %	128.2	187.7	218.0	106.6	46.2
Tier I capital ratio ² , %	128.2	187.7	218.0	106.6	46.2
Total capital ratio ³ , %	128.2	192.8	231.4	117.6	56.9
Leverage ratio according to CRR ⁴ , %	1.59	1.74	1.82	1.60	0.90

1) Core Tier I capital in relation to total risk exposure See also pages 36–37 and Note 2.

2) Tier I capital in relation to total risk exposure See also pages 36–37 and Note 2.

3) Total capital base in relation to total risk exposure See also pages 36–37 and Note 2.

4) Tier I capital in relation to total assets and commitments (exposures). See also page 37 and Note 2.

With questions of capitalisation resolved, new challenges await

The challenges facing the local government sector are currently a matter of political focus and Kommuninvest will contribute solutions in the financial area by aiding the financing of welfare on favourable terms. We finally have clarity on the question of capitalisation and can now continue developing the partnership.

Situation in the local government sector

Growth in the Swedish economy was weaker than expected in 2019. Accordingly, Sweden's municipalities and regions also generated lower net profits in 2019 than in 2016–2018. The deterioration in net profit demonstrates the increasing challenge facing the municipalities and regions in their mission. Although the local government sector remains basically strong, with stable balance sheets in particular, it is facing a financially tougher period.

A key cause behind this is the continued increase in demographic pressure, with the proportion of older and younger people growing faster than the working-age population. This causes increased demand for welfare services, in turn bringing increased expenses. This has placed the economic challenges of the local government sector in the spotlight in the political debate at the national level. This is necessary.

We finance investment

The local government sector's investment needs are affected by population growth, the strength of the urbanisation trend and ever-increasing demands for social and environmental sustainability. For this reason, our lending to members is rising sharply. Our business model, according to which the members jointly guarantee Kommuninvest's operations, facilitates our task of helping members finance their investments at the lowest possible cost. We have succeeded well in this.

The response to our surveys of our owners' and customers' satisfaction is highly positive and increasing numbers are seeking membership in



”
This affords us highly favourable conditions under which to continue offering loans to Swedish municipalities and regions on favourable terms.

Kommuninvest. Region Blekinge and the Municipality of Ekerö joined us as members in 2019 and we bid them a warm welcome! A growing number of members are also borrowing increasing amounts from Kommuninvest. Our market share among members is above 56 percent.

Finally clarity on the issue of capital

In 2019, the comprehensive review initiated following the financial crisis resulted in a new EU regulatory framework. The regulations entail certain public financial players, such as Kommuninvest, being subject to lower capital requirements than other banks and credit institutions. This affords us highly favourable conditions under which to continue offering loans to Swedish municipalities and regions on favourable terms.

Nonetheless, Kommuninvest will need more working capital in the future, because the operations are growing so rapidly. It now becomes the task of the members to determine and secure the capital requirement based on the decisions of the authorities. An extensive process has been conducted within the Society and the Company to provide members with data on which to base their decisions on future capital requirements.

Green and social investments

Our Green Bonds and Green Loans concepts are growing increasingly successful. We have now approved green projects for an amount equivalent to SEK 60 billion. At the end of the year, 150 members had Green Loans distributed



between 346 projects and accounting for about 10 percent of our total lending.

We have also received important recognition for our sustainability work with a high ESG rating – the result of an assessment of Kommuninvest's sustainability work by independent institutes. We are also aware that our members are increasingly relating their operations to the global sustainability goals in accordance with the UN's Agenda 2030. We are pleased to be able to assist the local government sector's active sustainability efforts.

I would also like to inform all members that Kommuninvest is now working to develop a model for loans for socially sustainable investments. The idea behind the initiative is to develop a financial product able to foster local government sector efforts in the area of social sustainability. We will present the results of this work in 2020.

Cooperation produces results

Kommuninvest's model of solidarity and partnership illustrates the opportunities for voluntary cooperation that exist in the Swedish local government sector. If we were to calculate the taxpayer funds we have saved through our partnership in the financial area, we would find these to be many billions of kronor – funds that local government authorities have instead been able to invest in welfare.

I would like to extend my gratitude for our cooperation during 2019 and hope for equally beneficial partnership over the coming years!

Kommuninvest Cooperative Society

Göran Färm
Chairman

Effective collaboration engenders favourable conditions

Investments by the local government sector continue to be affected by strong population growth and urbanisation, while homes and properties built in the 1960s and 1970s require extensive renovation. Kommuninvest's development demonstrates that local government authorities are able to join forces to create an effective tool for good financing conditions.

Over the year, the financial prospects for the local government sector weakened. At the same time, the sector's balance sheet is holding up very well and is possibly stronger than ever. The challenges are accumulating in the operations, with access to skills being one of the growing concerns.

Forecasts indicate continued increasing investment, which, combined with weaker net profit is expected to contribute to increased local government borrowing. Priorities between different investments will gain importance in maintaining a balanced economy.

Demand for financing continues to increase

In our assessment, the sector is able to withstand a period with a lower level of self-financing and increased borrowing, as long as revenues are sufficient to cover operating expenses. As borrowing increases, we should also bear in mind that a substantial body of assets is building up among municipalities, regions and municipal companies.

Kommuninvest's development has far exceeded our forecasts. Lending growth, which amounted to 15 percent for the year, is the ultimate proof that the Kommuninvest tool works and that, by joining forces, municipalities and regions can achieve better and more efficient funding than they could separately.



The trend of an increasing number of members securing, in principle, all of their funding through Kommuninvest underlines our need for uninterrupted access to financing.

Efficiency a constant endeavour

Our core operations entail providing stable and secure financing of our members' investments under optimal terms. Good cost control is afforded high priority. Accordingly, it is gratifying that the strong growth in business volumes in 2019 was not matched by commensurate cost increases, although investments in digitalisation and continued extensive regulatory requirements continue to drive costs. On the whole, in relation to business volumes, operating expenses continue to decline and the overall strategy to reduce lending margins stands firm.

The trend of an increasing number of Kommuninvest's members securing, in principle, all of their funding through Kommuninvest underlines our need for uninterrupted access to financing. Over the past year, this has not been a challenge – geopolitical events have passed surprisingly smoothly without any negative impact on capital markets. The central banks contribute with their efforts regarding low/negative interest rates and their strategies in this area.

As part of developing our financing strategy and safeguarding low funding costs in the long-term, a decision was made during the year to include the euro as a strategic funding currency. This means that Kommuninvest's strategic funding markets will, in the future, include Swedish kronor (SEK), US dollars (USD) and euros (EUR), which are among the world's most liquid.



Knowledge and simplicity

The knowledge-oriented part of our business, which entails building our customers' skills and simplifying their everyday lives, represents a small but growing part of the operations. During the year, in collaboration with a leading educational institute, we developed an advanced training programme in local government finance, initially with five municipalities participating. We plan to continue developing the concept.

Making our services easier to use is an important part of our efforts to enhance efficiency. During the year, we introduced a process for signing loan agreements online with the Mobilt BankID application and automated the process for requesting quotations. The services are offered within the framework of K1 Finans, a web-based tool for local government financial management with more than 2,000 users. In consultation with customers and members, K1 Finans is under continuous development, adding new functions.

For a beneficial and sustainable society

In conclusion, following a year in which issues of sustainability gained increasing focus, it is gratifying to affirm that Kommuninvest's basic concept and vision are clearly linked to the overarching sustainability efforts of the Swedish local government authorities, including Agenda 2030. To further highlight and promote the transition to a sustainable society, Kommuninvest has joined forces with its members and customers to develop a model for green financing that has become Sweden's largest and attracted attention worldwide.

I would like to extend my considerable thanks to my colleagues for all of their great achievements over the year.

Kommuninvest Cooperative Society

Tomas Werngren
President and 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 slightly more than 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.

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 apply for 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 16.

4. Disbursement of loans

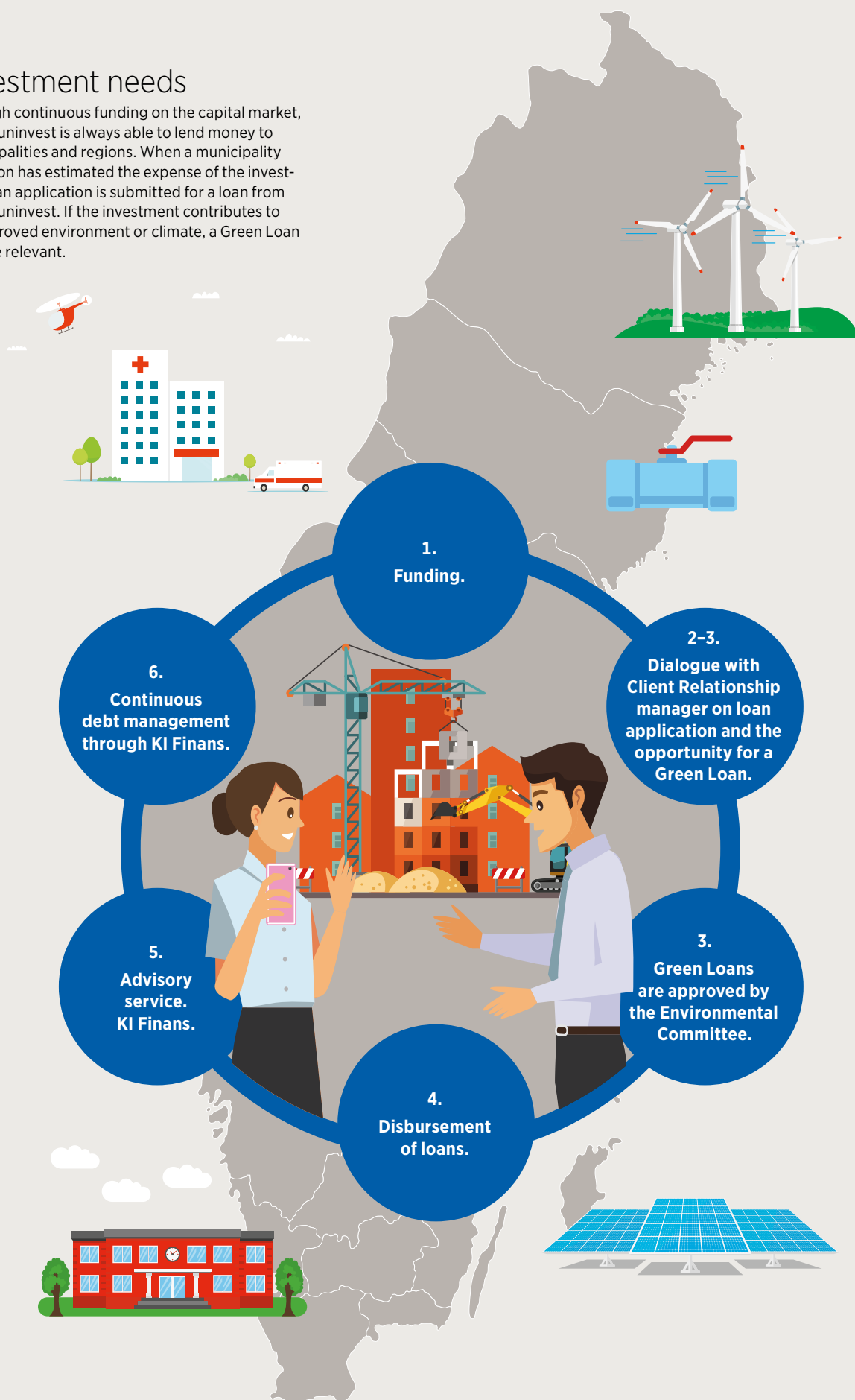
Because we know our members well and apply a fast and efficient credit process, the time from the first call regarding the borrowing requirement until the loan can be disbursed is brief. If a Green Loan is involved, we take care of the additional administration and documentation that green financing 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 being used by 216 out of 290 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 2019, SEK 717.8 million in surpluses was distributed for the 2018 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 60 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 partly achieved by collaborating on research with Örebro University and by developing customised courses for elected local government representatives and officials in collaboration with the Stockholm School of Economics. We have also initiated and funded the Society Lab network, which is aimed at young politicians and where issues of welfare and welfare financing are discussed. 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 on 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 2019, SEK 63.1 (40.0) billion in Green Loans had been granted regarding 346 (232) investment projects in 150 (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

407

SEK bn

Of which, 10 percent Green Loans
(based on disbursed volume)

717.8
SEK million in total
distribution of surplus¹

2,062
users of
KI Finans

**Helps all of
Sweden live.**

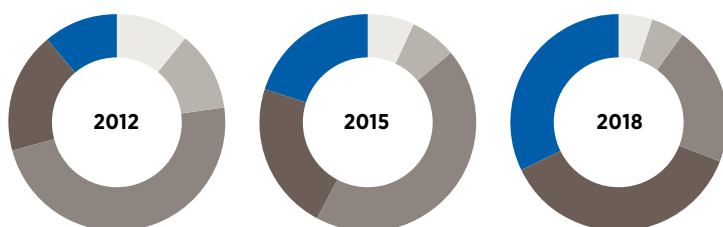


**Helps to meet
Sweden's sustain-
ability targets.**



¹) Amount disbursed in 2019, relating to the 2018 financial year.

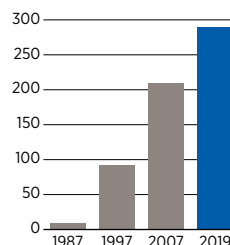
Kommuninvest's share of local government borrowing



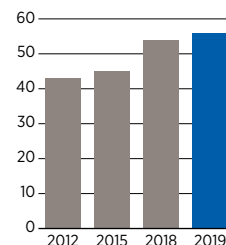
0% 1-50% 51-90% 90-99% 100%

The compilation refers to Kommuninvest's share of borrowing among all of Sweden's municipalities, including both members and non-members. Most of the municipalities with no borrowing from Kommuninvest are non-members, meaning they are not entitled to raise loans from Kommuninvest. Of the 14 municipalities that had no funding from Kommuninvest in 2018, 13 were non-members. Data for 2019 were not available at the time of publication.

Number of members



Kommuninvest's market share, %



Sustainability Report 2019

Kommuninvest's basic concept and vision includes encouraging social development that is sustainable in the long term. By offering sustainable financing solutions, we foster the efficient use of tax revenues, financial stability and the local government sector's work with the Sustainable Development Goals.

Our view on sustainability builds on the values of the Swedish local government sector, and our actions are conducted in accordance with the Local Government Act and other relevant legislation. It is therefore consistent with the international framework of the ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact.

Our sustainability work builds on the expectations of our stakeholders and on our mission to finance local government development and investment for a beneficial and sustainable society. The ambition is to integrate sustainability throughout our operations.

Stakeholder dialogue

Kommuninvest's role as the local government debt office and the node for financial cooperation in the Swedish Local government sector, means that we maintain relationships with a number of stakeholders who affect our operations in various ways and who are affected by our operations. We maintain an ongoing dialogue to identify the sustainability issues with which the Group should work. Our dialogue with stakeholders involves regular meetings with members, customers and employee delegates, as well as with representatives of government ministries and national authorities. Kommuninvest also conducts regular satisfaction surveys among key stakeholders, including members, customers, employees and investors.

Swedish municipalities and regions are our most important stakeholder group. As members, they own and govern our operations, although, when they choose to borrow from us, they are also our customers. In their capacity as owners, our dialogue with members is conducted mainly with elected politicians. In their capacity as customers, our dialogue with members is conducted mainly with local government officials, generally with specialists in economics and finance.

Specific sustainability surveys are conducted on a regular basis. The overarching results of the two surveys conducted to date are presented on the opposite page.

Governance of sustainability work

The Head of Sustainability is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department managers, 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, conflicts of interest, IT security, equality and diversity, bribery and hospitality, and regulatory compliance. Sustainability work is reported annually to the Board, and is supplemented by reviews on topical themes.

Sustainability risks

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

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

Direct and indirect influence

Kommuninvest has both a direct and indirect sustainability impact.

Kommuninvest controls the direct impact, meaning this lies within the Company's direct decision-making mandate and efforts can provide concrete qualitative and quantitative effects. Direct impact includes, for example, customer and employee relations, business travel, office premises, local collaboration, etc.

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



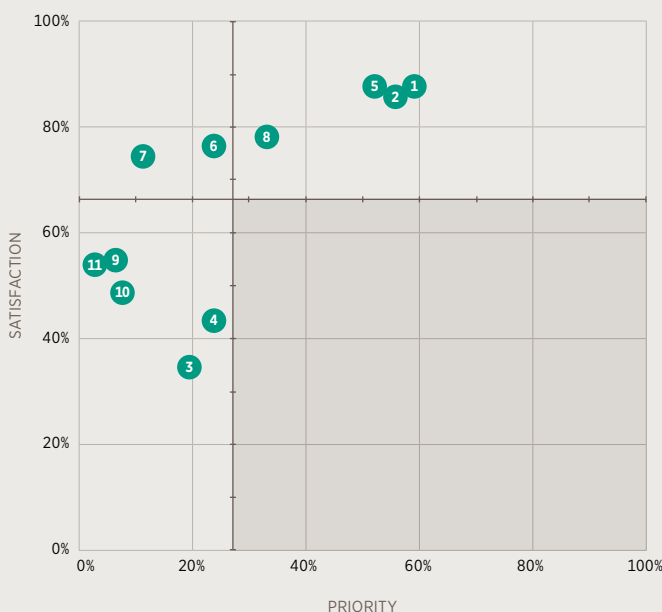
The Global Goals



Municipalities' and regions' extensive efforts in sustainable development also entail Kommuninvest's operations meeting, in many ways, the UN Sustainable Development Goals. A mapping conducted in 2019 shows that the Group has a direct or indirect impact on 15 of the 17 global goals and on about 50 of the 169 sub-goals.

Stakeholder priorities and satisfaction

The 2019 sustainability survey showed that Kommuninvest is perceived to perform well in the areas of sustainability that stakeholders consider most important. As with the preceding survey, conducted in 2016, stakeholders felt that Kommuninvest should primarily prioritise green financing and responsible, ethical conduct. On the whole, stakeholders' perceptions of Kommuninvest's performance had improved in all of the areas of sustainability studied.



Higher priority/greater satisfaction

- 1 Environmental aspects, funding
- 2 Environmental aspects, lending
- 5 Responsible and ethical conduct

Higher priority/lower satisfaction

- 8 Sustainable organisation

Lower priority/greater satisfaction

- 6 Dissemination of knowledge and information
- 7 Diversity and equality

Lower priority/lower satisfaction

- 3 Social aspects, funding
- 4 Social aspects, lending
- 9 Sustainable supply chain
- 10 Environmental impact of business travel
- 11 Resource consumption, office operations

NUMBER OF RESPONDENTS: 109

Although Kommuninvest has limited direct impact, its indirect impact is extensive, with the organisation comprising some 100 employees at the head office in Örebro, while total assets amount to slightly more than SEK 470 billion.

Three perspectives in sustainability work

The Group's sustainability work is based on three perspectives, described in greater detail on the following pages:

- **Sustainable financing**, supporting municipalities' and regions' efforts in financial, environmental and social sustainability, as well as in fostering financial stability.

- **Responsible operations**, ensuring that the Group lives up to its Code of Conduct, stakeholder expectations and the laws, regulations and directives applicable to the operations.

- **Sustainable organisation**, safeguarding a good working environment and employee health, good management and employee collaboration, as well as an agile organisation.

Performance indicators related to sustainability are presented on pages 22–23.

Sustainable financing

Kommuninvest finances the development of Sweden's local and regional sectors, as well as investments for a sound and sustainable society. The operations contribute to citizens' tax funds being used as efficiently as possible and help improve the stability of the financial system. Financing at the lowest possible cost is central.

Kommuninvest's contribution in the area of sustainable financing involves both cost-effective and stable financing of public investments, as well as long-term analysis for sustainable local government finances. Our work also focuses on enhancing the skills of our members and customers in sustainable financial management, and offering tools that improve internal decision-making processes.

The local government debt office

Kommuninvest plays a similar role for the local government sector as the National Debt Office does for the central government and its authorities. One of our principal tasks is to safeguard financing that is as cost-effective as possible for the investments that municipalities and regions make in housing, schools, healthcare systems, public transport, etc. By "pooling" local government borrowing needs and channelling them through a single organisation, economies of scale can be achieved, while keeping administrative costs down. This allows tax revenues to be used more effectively.

Equally important is being able to offer financing to members even in times of financial market stress. Experience gained from the financial crisis of 2007 – 2008 shows that access to liquidity can be challenging at times, even for actors as creditworthy as local government authorities. Kommuninvest's ability to maintain the financing capacity of the local government sector, even in the most troubled times, engenders security and contributes to financial stability.

Increasing awareness on local government financing

By means of our own research and reports, Kommuninvest helps increase knowledge about the local government sector's long-term financial conditions. Each year, we publish reports describing developments in local government investment and its financing, and we analyse trends and phenomena associated with local government funding, debt and investment. The data are made available in public databases. Knowledge is disseminated on an ongoing basis by means of seminars and individual meetings.

Kommuninvest also collaborates with higher education. 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 is also part of the reference group affiliated with the university's Master's programme in Sustainable Business.

Local government debt management tool

KI Finans is a web-based financial management service for transaction management, analysis and reporting of financial liabilities and assets. All members of the Society have access to the service, which had more than 2,000 users at the end of 2019. The service was originally developed for the Swedish local government sector, but is now also offered by Kommuninvest's sister organisations in Finland and Norway.

A non-profit concept that benefits society

Kommuninvest was established as a cooperative concept, to improve the local government sector's access to financing and to increase competition. The operations are to be characterised by the lowest possible risk exposure and a not-for-profit purpose. Any 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 this way, SEK 717.8 (969.8) million was transferred back to the members of the Society in 2019. 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.

Financing promoting a sustainable transition

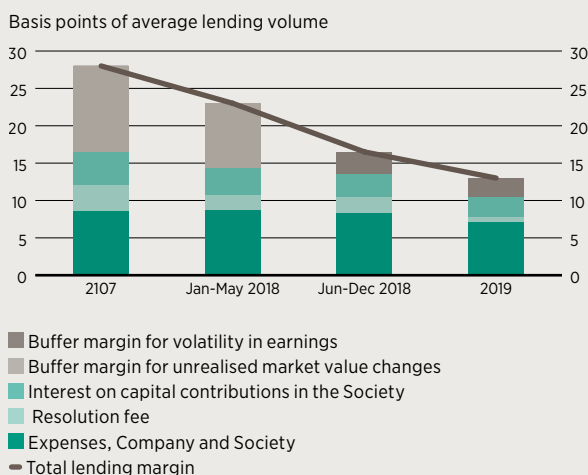
To make the local government sector's work towards national and regional environmental targets more visible, Kommuninvest offers so-called Green Loans. Green Loans may finance investment projects in areas including renewable energy, energy efficiency, public transport and water management, and can be linked to nine of the Sustainable Development Goals 2030 and all of the overall objectives of the Paris Agreement. 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.

Kommuninvest finances Green Loans by issuing Green Bonds. Seven Green Bonds have been issued since March 2016, and Kommuninvest is Sweden's largest issuer of such instruments. The expected annual reductions of CO₂ emissions from the projects financed are published in the annual Kommuninvest Green Bonds Impact Report, which is available from Kommuninvest's website.

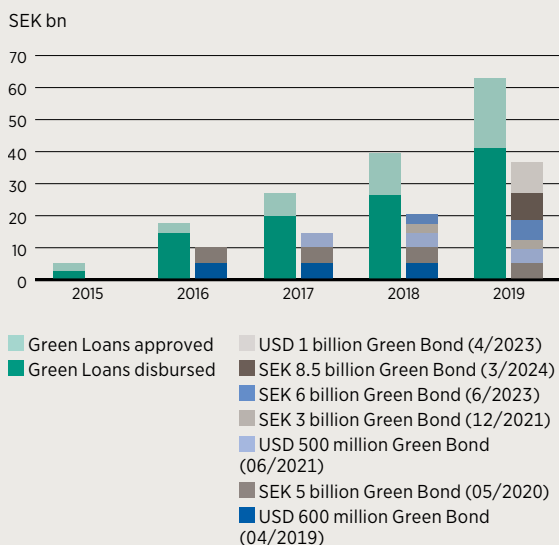
At the end of 2019, the volume of Green Loans granted amounted to SEK 63,1 (39,5) billion to 346 (232) green investment projects in 150 (109) municipalities and regions. The proportion of Green Loans in relation to total lending was 10.1 (7.4) percent.



Cost components in the lending margin



Green Loans and Green Bonds



Green Loans – examples of funded projects

Umeå – Clean transportation

Investment cost: SEK 215 million

Green Loans (disbursed): SEK 200 million

Since 2011, the Municipality of Umeå has gradually replaced an increasing number of public transport buses with electric buses. The final stage of the process was completed in 2019 when all diesel vehicles on the principal lines routes were replaced with articulated electric buses. In total, 70 percent of Umeå's public transport will be provided using electric buses. By themselves, the 25 articulated electric buses purchased most recently are expected to reduce CO₂ emissions by 2 million tonnes of CO₂ annually (gross).

Härnösand – Renewable energy

Investment cost: SEK 76.4 million

Green Loans (disbursed): SEK 39.5 million

Härnösand is building two new wind power plants that will use advanced wind power technology to generate significantly more power than previously, 3.5–4 MW per plant. The project will supply up to 24,000 MWh of locally produced electricity, corresponding to about 10 percent of Härnösand's consumption.

Smedjebacken – Waste management

Investment cost: SEK 31 million

Green Loans (disbursed): SEK 31 million

In building a new recycling centre, Smedjebacken is thinking circularly and holistically, focusing on re-use at a location 4 km closer to the town than previously. By themselves, the CO₂ savings from shorter passenger and truck connections will amount to 60 tonnes annually. In connection with the construction work, two existing oil furnaces will also be replaced by geothermal or local district heating, and solar panels will be installed.

Responsible operations

A clear division of responsibilities and a focus on ownership control, corporate governance and ethics shall help the Group to comply with the laws, regulations and rules applicable to the operations. The Code of Conduct highlights the importance of professionalism and good business practices.

Kommuninvest comprises two parts: The Society manages membership and matters of ownership issues and its Board of Directors consists of politicians from municipalities and regions. The financial operations, including funding, liquidity management and lending are conducted by the Company. Its Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development.

There is a clear division of responsibilities, with the day-to-day operations of the credit market company being separate from the membership organisation and with annual ownership directives from the Society charting the Company's course. Governance and control are designed to meet the requirements both of the ownership directives, as well as the laws, regulations and other rules to which the operations are subject. Risk appetite is low and professional conduct, strict ethical requirements and good business practices are to permeate the operations.

Anti-corruption and anti-money laundering measures

Both the Company's Code of Conduct and its Sustainability Policy emphasise the importance of transactions and relationships being pervaded by good business ethics. 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. The Company is required to identify and manage possible conflicts of interest.

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 corruption or guidelines on money laundering were investigated during the year.

Environmental consideration

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. The latter is described in the preceding section on sustainable financing.

Direct environmental impact arises as a consequence of the Group's operations, including energy consumption in

its premises, purchases of office supplies and equipment, meetings and conferences, etc. The greatest direct impact by far derives from business travel, which accounts for over 80 percent of the Group's climate impact. Naturally, emissions reduction efforts focus on air travel, which has the greatest climate impact. As shown in the graph on page 23, emissions from business travel have decreased continuously over the past five-year period. 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. Total energy consumption, however, is increasing and an analysis of potential improvement measures was initiated in 2019. A plan of action for sustainable IT is being developed, and measures have been initiated to increase the recovery and reuse of obsolete equipment.

Climate compensation

Kommuninvest compensates for the greenhouse gas emissions remaining after its own climate work. In accordance with the conditions that apply to municipalities and regions, we climate compensate internally, that is, for investments made locally/in Sweden. Earmarked funds set aside either to finance initiatives supporting the sustainability efforts of the Society's members or helping reduce Kommuninvest's own impact.

During 2019, climate compensation funds of TSEK 262 (0) were used for the Group's participation in the project "Climate requirements at a reasonable cost", together with Public Housing Sweden and IVL. The project seeks to develop an industry standard allowing public housing organisations to calculate climate impact, including the construction process, and to set climate requirements for new production.

Community commitment

To increase the impact of our sustainability work and to respond to stakeholder expectations, we engage in relevant social issues, often in partnership with others. For example, we are participating in SNS's three-year research project, Community Building, which focuses on community planning, a functioning housing market and investments in infrastructure and public services. Kommuninvest contributes with its expertise in financing welfare and in collaboration between municipalities.



The panel, from the left: Sarah Havneraas, Secretary General, KDU, Romina Pourmokhtari, Deputy Chairman, LUF, Helena Nanne, First Deputy Chairman, MUF, David Ling, Spokesperson, Green Youth.

Young politicians debated challenges in welfare

During the year's Almedalen week (an annual democratic forum in Sweden) Kommuninvest and Society Lab* invited leaders of the political parties' youth associations to participate in panel debate on welfare in three fictional municipalities. The topics discussed were largely based on Kommuninvest's Welfare Challenges report.

The first fictitious municipality, the sparsely populated Municipality of Astridsås, facing problems such as population decline, unemployment and substantial need of welfare staff provoked discussions on the possibilities of digitisation, but also on how an improved integration policy could help resolve Astridsås's welfare problems.

"If we can succeed with integration, immigration is something that could rebuild communities like Astridsås. But we must have systems to accommodate recent arrivals, and to help them find homes and jobs – in that way aiding the rejuvenation of the municipality's population," reasons Romina Pourmokhtari, Deputy Chairman, Liberal Youth of Sweden (LUF).

In the larger Municipality of Bokhamn, a town characterised by substantial differences in terms of security and school results in its various districts, questions of town planning were in focus and how underprivileged areas could be eradicated by means of planning and development.

"A problem I have seen up close in Uppsala is that people always talk about densification, with taller buildings and small apartments. We ought to build for the longer term instead, fitting in smaller houses and different types of housing from the outset," says Sarah Havneraas, Secretary General of the Young Christian Democrats (KDU).

The third and final discussion revolved around the challenges of the rural municipalities, manifested as Alexanderberg, a medium-sized town with high unemployment and few opportunities for further education.

"I believe Alexanderberg is in great need of more business-friendly politics. This partly involves establishing additional new employers, but also ensuring that dealing with the municipality is easy when it comes to administrating permits," says Helena Nanne, First Deputy Chairman, Moderate Youth League (MUF), mentioning farm sales and tax cuts as examples of how the municipality can become more attractive.

*The block-independent Society Lab network, with Kommuninvest as its initiator, is a platform for young politicians and officials on issues of welfare and its funding.

The Society is also a co-founder of the Axel Prize, which draws attention to people who, in their work, help to secure and developing confidence in the social contract and its democratic values. Through a collaboration with the Centre for Municipal Strategic Studies at Linköping University, we support the Vadstena Forum, an annual symposium for researchers and representatives of civil society, business or the public sector. In our research and analysis, the economic development of the municipal sector is continuously monitored and reported via reports, seminars, etc.

We do not work with sponsorship in traditional terms, but seek cooperation with partners who have a pronounced social commitment, with an emphasis on ventures in Örebro, where the Company has its head office. The focus lies on activities in education, culture and inclusion. 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.

Sustainable organisation

Having a sustainable organisation is crucial to Kommuninvest living up to its mission and vision, as well as to the expectations of our stakeholders. Our high level of ambition and the insight that each employee can make a difference are what guide us in this work. Communicative leadership and committed employee collaboration are essential for success.

By sustainable organisation, we mean an organisation characterised by a strong culture and favourable working conditions, with healthy and motivated employees and managers. The organisation stimulates learning on an ongoing basis and has a good ability to adapt to new conditions. The working environment promotes diversity and gender equality, while discrimination does not occur.

Respect for human rights is a basic requirement

The Group 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 also maintain a 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.

An equal workplace

We foster equality, diversity and development and are to be an inclusive (non-discriminatory) workplace. This is emphasised in the Company's Gender Equality and Diversity Policy to ensure that the Company is an attractive employer for both current and potential employees. At the end of 2019, 41 (45) percent of the total number of employees were women. Of the managers, 29 (36) percent were women and, in the Executive Management Team, the proportion was 43 (43) percent. The decreased proportion of female managers was noted in the year's staff and health accounts, and the goal is to achieve gender equality among managers within three years.

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 2019, 17 (12) percent of the Company's employees came from countries other than Sweden. A total of 12 (10) different countries are represented in the organisation.

Working environment

Our working environment must satisfy physical, social and organisational targets as well as legal requirements, shall be pervaded by clear mandates and instructions and shall offer a balance between responsibilities and authority. Kommuninvest conducts working environment efforts in which measures are implemented at an early stage and preventively.

A close dialogue between employees and managers, as well as structured efforts to analyse key figures and risk indicators, are key aspects in the process of creating an organisation that is sustainable in the long-term. Working environment efforts are conducted in close collaboration with employees and substantial measures were undertaken in 2019 to increase the quality of office lighting and reduce the volume of noise in office landscapes.

The year's employee survey

Employee surveys are conducted annually, to gauge the working climate and, in a formalised format, ascertain how employees perceive their work situation. The year's results are compared with earlier measurements to identify how perceptions of the Company vary over time. The 2019 survey shows that Kommuninvest is an equal and non-discriminatory workplace, where employees feel considerable commitment to Kommuninvest's social mission. The survey gave an ESI (Employee Satisfaction Index) of 74 (73), which is a high result, indicating a favourable degree of satisfaction and a well-functioning workplace. The outcome also indicates that efforts devoted to leadership, employee collaboration and cultural issues have yielded results and these will remain priority areas moving forward.

Sustainable daily life

We are working actively with the health concept Sustainable Daily Life, seeking to promote a healthy lifestyle, with a balance between work, leisure and parenting. Increasing absenteeism due to work-related stress and other psychosocial factors have caused Kommuninvest to initiate ambitious efforts within the framework of Sustainable Daily Life. The concept encompasses the physical and social working environment, training and daily exercise, health-inspiring 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 sleep, diet, exercise and lifestyle, as well as work-related concerns.

Focus on self-management

Within the Group, all employees are responsible for their own skills development, in dialogue with their managers and in accordance with the Company's objectives. Beyond this,



Employee programme for a safe and trustful workplace

In 2019, Kommuninvest's employee programme was concluded after running for a year with the purpose of: engendering improved conditions for leadership, employee collaboration and communication, providing opportunities for personal development, facilitating self-management, helping employees feel secure, creating platforms for dialogue, feedback and preventive conflict management and increasing the quality of communicative leadership.

An assessment shows that Kommuninvest's employees feel a strong commitment to their work roles and are capable of a high degree of self-management. Despite major

changes recently, there is trust in the organisation and employees feel confident in testing new ideas and solutions. One area in need of improvement is feedback, whether this be giving, receiving or requesting feedback.

One of the themes during the programme was levels of role-taking. With working groups increasingly taking on tasks jointly rather than individually, additional commitment to the development of the Company is generated. On the whole, employees are satisfied with the employee programme, finding it to have contributed to both personal development and increased cooperation.

skills development is offered at a more general level and in a number of different forms.

In 2018 and 2019, an extensive initiative in leadership, employee collaboration, communication and culture was carried out. The employee programme has been developed to increase Kommuninvest's capacity to develop in a time pervaded by ever-increasing complexity and rapid change and is described in more detail in the assessment above.

Since 2017, the Company has also run a "Lunch and Learn" concept, offering employees inspirational talks, business intelligence updates and summaries of future trends in connection with a simpler lunch.

All employees participate in compulsory and continuous skills development by means of digital learning platforms. For Kommuninvest, the method has brought high implementation rates and significantly increased knowledge levels following the completion of the courses. Four courses were conducted in 2019: Measures counteracting money laundering and terrorist financing – advanced course; An introduction to GDPR; Insider information and insider crime; and Sustainability training. Most training courses are given once every two years, with new recruits participating in the compulsory courses during their first six months of employment.

Sustainability indicators

Environmental indicators – Kommuninvest Group

	Unit	2019	2018	2017
Energy consumption				
Total energy consumption (in buildings) ¹	kWh	616,853	620,069	586,071
– of which, electricity	kWh	385,980	368,596	333,603
– of which, heating	kWh	230,873	251,473	252,468
Total CO ₂ impact of energy consumption (in buildings)	Tonnes	142	138	127
– of which, electricity consumption ²	Tonnes	122	116	105
– of which, heating ³	Tonnes	20	22	22
Proportion of renewable energy in energy consumption, electricity ⁴	%	56	56	58
Change in electricity consumption compared to the preceding year	%	5	10	7
Proportion of renewable energy in energy consumption, heating ⁵	%	95	95	96
Total office space	m ²	2,217	2,217	2,217
Total energy consumption per square metre	kWh/m ²	278	280	264
Total energy consumption per employee	kWh	6,107	6,392	6,440
Resource usage				
Purchased office paper	Tonnes	0.45	0.50	0.50
– of which sustainability labelled paper (PEFC)	Tonnes	0.45	0.50	0.50
Proportion of sustainability labelled office paper, of total purchases	%	100	100	100
Total paper consumption per employee	Kg	4.5	5.2	5.5
Paper recycling, incl. purchased and delivered paper	Tonnes	2.0	2.0	2.5
Business travel				
Total business travel ⁶	Km	911,699	948,470	975,489
Total business travel per employee	Km	9,027	9,778	10,720
Total air travel	Km	493,063	521,771	571,379
Rail travel in Sweden	Km	364,616	353,914	341,741
Total CO ₂ emissions from business travel ⁷	Tonnes	225	242	260
CO ₂ emissions from business travel, per employee	Tonnes	2.2	2.5	2.9
Total climate footprint				
Total climate footprint of the operations ⁸	Tonnes	367	380	387
Total climate footprint per employee, CO ₂ e	Tonnes	3.6	3.9	4.2

1) Previously reported values for the breakdown between electricity and heating have been corrected as one of the measurements had been incorrectly categorised. The correction has led to an increase in electricity consumption and a decrease in heat consumption.

2) The climate impact from electricity consumption is calculated applying an emissions factor for electricity of 315 g CO₂e/kWh, in accordance with the principles for impact reporting applied by Kommuninvest for Green Bonds (Nordic Position Paper on Green Bonds Impact Reporting). The reported values are Scope 2, in accordance with the Greenhouse Gas Protocol.

3) The climate impact from heating, calculated applying an emissions factor for district heating in the Municipality of Örebro of 87 g CO₂e/kWh, in accordance with the principles for impact reporting applied by Kommuninvest for Green Bonds (Nordic Position Paper on Green Bonds Impact Reporting). The reported values are Scope 2, in accordance with the Greenhouse Gas Protocol.

4) In this year's report, the percentage is based on the national average (source: Swedish Energy Agency and Statistics Sweden), as an agreement regarding 100-percent renewable electricity was found to be missing. Entails a reduction compared with the year-earlier period. Data for 2019 are preliminary and are based on data for 2018.

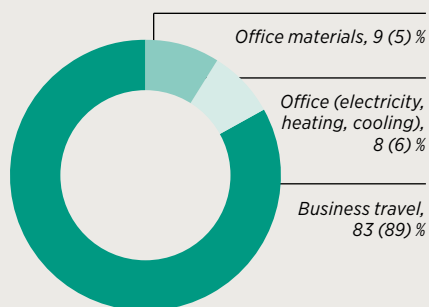
5) In this year's report, the percentage is based on the national average (source: Swedenergy), as an agreement regarding 100-percent renewable district heating was found to be missing. Entails a reduction compared with the year-earlier period. Data for 2019 are preliminary and comprise data for 2018.

6) An in-depth analysis of business travel was conducted in 2019. The identification of error sources in data from suppliers and the inclusion of business travel by car has led to previously reported outcomes for 2018 and 2017 being adjusted upwards.

7) As of 2019, Kommuninvest takes into account a so-called RFI factor of 1.9 in emissions calculations regarding the high altitude effects of air travel, in accordance with Tricorona's calculation method and based on research at the Chalmers University of Technology (Kamb et al, 2018). Previously published emission values have been adjusted.

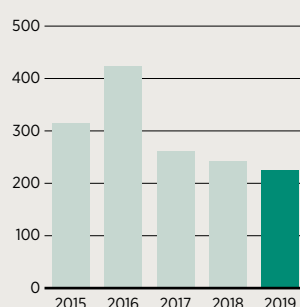
8) Includes CO₂ emissions from energy consumption, resource consumption and business travel. Calculation by Tricorona Climate Partner in January 2020. All emissions are Scope 1 and Scope 2 according to the Greenhouse Gas Protocol; emissions from business travel are Scope 3.

Distribution of total climate impact



Compared with the preceding analysis, carried out for 2017, the impact of business travel has decreased. This is mainly due to an adjustment of the high-altitude factor, the so-called RFI factor, to 1.9 (2.7).

Source: Tricorona Climate Partner

CO₂ emissions from business travel, tonnes

Source: Big Travel, with processing by Kommuninvest (emission values have been multiplied by a so-called RFI factor of 1.9 for the aviation industry's high altitude effects).

Business travel, particularly by air, accounts for the absolute majority of Kommuninvest's climate impact. The objective is to reduce business travel, provided this can be achieved without foregoing operational targets. In 2019, business travel by air, measured in kilometres, decreased by 6 (9) percent. Train travel increased by 3 (4) percent over the year. The total carbon footprint continued to decline, amounting to 3.6 (3.9) tonnes CO₂ per employee in 2019.

Economic value generated – Kommuninvest Group

	Unit	2019	2018	2017
Total revenue				
Interest revenues	SEK, million	1,223.5	505.3	452.3
Other operating income	SEK, million	9.0	7.6	6.2
Distributed value				
Interest expenses	SEK, million	-412.5	367.2	426.4
Commission expenses	SEK, million	-11.3	-8.2	-7.3
Salaries and emoluments	SEK, million	-77.9	-73.9	-70.4
Pension costs, training costs and other personnel costs	SEK, million	-24.5	-23.2	-26.6
Social security contributions and payroll tax on pension expenses	SEK, million	-27.8	-26.9	-25.3
Resolution fee	SEK, million	-27.4	-69.1	-66.3
Other operating expenses	SEK, million	-106.0	-94.1	-97.1
Tax	SEK, million	-2.9	-3.7	-28.0
Transferred to the members of the Society during the year, refunds on business volumes and interest on member contributions for the previous financial year	SEK, million	717.8	969.8	445.4
Efficiency				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.050	0.052	0.061

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

Employee statistics – Kommuninvest Group

	Unit	2019	2018	2017
Total number of employees, including those on part-time and probationary employment ¹	Number	111	104	105
Proportion of women/men – total	%	41/59	45/55	38/62
Proportion of women/men – all managers	%	29/71	36/64	38/62
Proportion of women/men – Executive Management Team	%	43/57	43/57	43/57
Average number of full-time annual employees (based on hours worked)	Number	101	97	91
Employment period <2 years (based on permanent employees)	%	17	18	18
Employment period 2–4 years	%	19	13	28
Employment period 5–9 years	%	34	40	29
Employment period >10 years	%	29	29	25
Personnel turnover	%	10	8	11
Participation in employee survey	%	95	96	95
Proportion of employees with university education	%	90	89	93
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	93	64	63

¹) Number of employees refers to the total headcount, including full and part-time employees, those on parental leave and temporary employees. The total number of permanent and probationary employees was 93 at the end of 2019.

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 2019 on pages 14–23 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,
KPMG AB

Anders Tagde
Authorised Public Accountant

Board of Directors' Report

- Comparison figures relating to the income statement refer to the preceding year (1 January–31 December 2018), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2018 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 49, 51 and 53 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 14–23 of this document.

Effective financing and accessible knowledge

Major investment needs remain among Sweden's municipalities and regions, with escalating welfare challenges demanding that resources be used more efficiently. Kommuninvest plays an important role in both of these areas. Competitive lending provides cost-effective financing and financial expertise, while web-based analysis tools provide opportunities to save time and, accordingly, to manage debt efficiently.

Focus of the operations

Cost-effective financing is achieved by securing liquidity at the lowest possible cost while making such liquidity available to customers and members with the most efficient internal processes possible.

Over the year, an extensive study was conducted aiming to increase the capacity for matching the Company's fixed-rate lending and funding, thereby reducing the use of interest rate derivatives. A new approach intended to improve margins, reduce operational risks and cut costs is to be implemented gradually over the coming years.

The challenges facing the local government sector entail a continued and growing need for knowledge in debt management. Kommuninvest can meet this need by making its knowledge in debt management available and sharing information about the sector that Kommuninvest possesses. Supported by digital tools, this knowledge can be distributed fairly to an increasing number of customers and members.

Kommuninvest's initiatives to digitalise and streamline its administration of loans continued during the year. K1 Offert provides the possibility to submit a bid request digitally and K1 Signera makes it possible to sign loan documents electronically. The use of these digital solutions is increasing and they are being offered to additional customer categories.

During the year, Kommuninvest produced a new web-based analysis tool that offers support in planning investments and cash flow. This tool makes it possible to generate liquidity forecasts for different time horizons and for different levels within the organisation. K1 Finans Likviditet och Investeringar will be launched to Kommuninvest's members and customers in early 2020.

Kommuninvest's focus areas are the starting point for its operational governance.

The Company's focus areas

CUSTOMER/MEMBER

To be the customer's/member's first choice in local government finance management by adapting product and service offerings within all selected customer segments

SKILLS

To broaden and deepen employees' competence to safeguard competitive operations in the future

EFFICIENCY

The Company's lending price, average funding cost plus various marginal supplements, are competitive in relation to the local government authorities' proprietary funding

DIGITALISATION

To increase the organisation's adaptability by improving working methods and platforms for development and innovation

Multi-year summary

Kommuninvest's strong growth continues and total lending passed SEK 400 billion in 2019 – an average annual increase of 13 percent over the past five years. The Company's share of the local government sector's external funding has increased from 45 to 57 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 in accordance with the owner directive. Accordingly, the Group's equity has risen from SEK 2.4 billion in 2015 to SEK 7.6 billion in 2019. On 31 December 2019, the leverage ratio was 1.59 percent. For more information on the Company's leverage ratio, see page 37.

For multi-year data in table format, see page 5.

Kommuninvest strengthens its position

Major investments in the Swedish local government sector increase external loan financing needs. In 2019, the local government borrowing grew by SEK 65 billion to SEK 721 (656)¹ billion. Kommuninvest continues to strengthen its position, with the Company financing 56 (54) percent of the local government sector's total debt.

The combination of extensive renovation needs for homes and properties built in 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. In 2018, net profit fell to the level of 2015 and decreased further at the end of 2019. This has led to an increased need for external financing as no decline in investment needs can be discerned.

Kommuninvest grew strongly in the years following the financial crisis and has increased its market share further in recent years, from 44 percent in 2013 to 56 percent in 2019. Funding via the banking sector and bilateral parties

has reduced to 14 (15) percent. As recently as 2013, the banks accounted for a third of the lending to Sweden's municipalities and regions. At that time, Kommuninvest was the largest individual lender with a market share of slightly more than 43 percent. About 20 municipalities and about ten municipal companies are currently active in the capital market. In 2019, issues of local government bonds and commercial papers accounted for 30 (31) percent of the sector's funding.

During the period 2013–2019, the sector's borrowing grew by an average of 7 percent while, during the same period, Kommuninvest grew by an average of 12 percent. Growth in the banking sector's lending to the local government sector was negative during that period, averaging negative 6 percent.

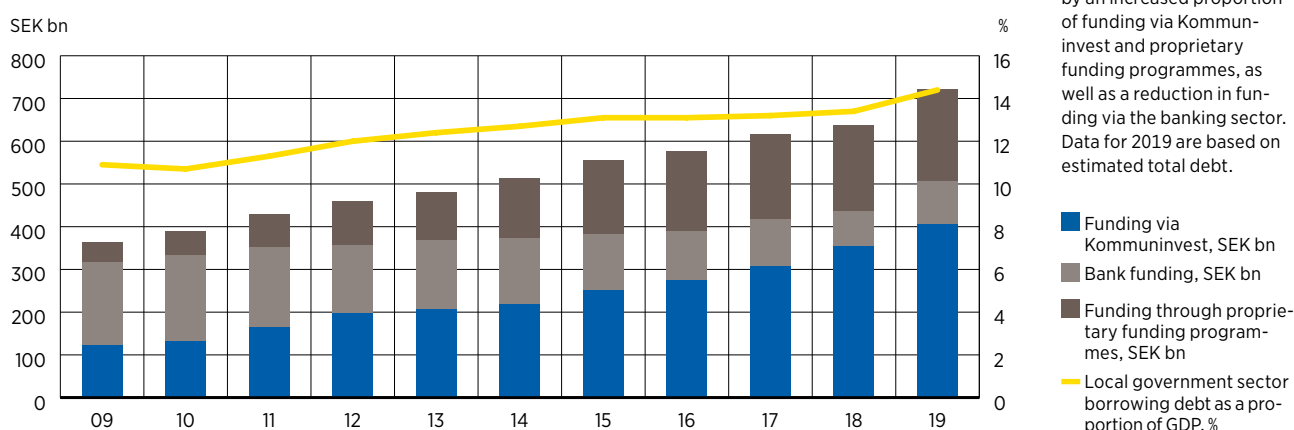
1) Forecast based on Kommuninvest's ongoing monitoring of debt and investment trends in the Swedish local government sector. At the time of publication of this Annual Report, neither the complete data for 2019, nor the municipalities' and regions' own annual reports were available. Values and shares for 2018 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
2009–2019



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 2019 are based on estimated total debt.

Loans that meet customers' needs

In 2019, Kommuninvest's lending grew to SEK 406.5 (353.9) 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 2019, Kommuninvest had a total of 964 (945) active borrowers.

Loans provided only to Swedish municipalities and regions

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

- Municipalities and regions who are members of the Kommuninvest Cooperative Society.
- Municipal and regionally-owned companies, in which one or more members of the Kommuninvest Cooperative Society holds a controlling influence.
- Local government 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.

Strengthened market position

Through Kommuninvest and other capital markets, Sweden's municipalities and regions were able to efficiently meet their funding needs in 2019. Kommuninvest offers loan products with capital tied up for shorter or longer periods, based on fixed or floating interest rates, as well as loans of complete or partial termination.

At the end of the year, lending amounted to SEK 406.5 (353.9) billion in nominal terms, an increase of 15 (15) percent. Kommuninvest's competitiveness, expressed as the percentage of accepted bids, has remained strong. 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, 88 (85) percent were loans with capital tied up for more than one year and 12 (15) percent with

capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 20 (23) percent of volumes.

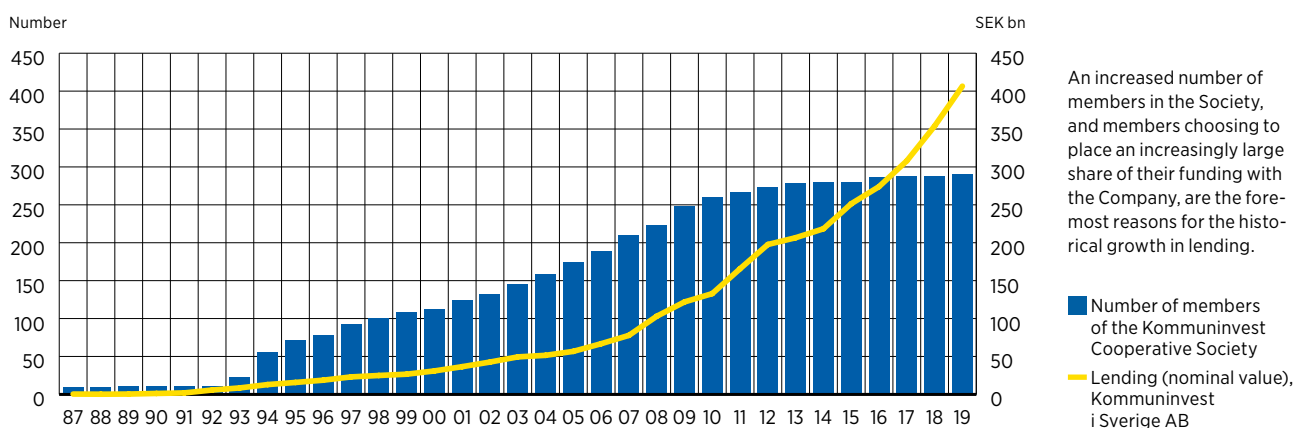
At the end of 2019, Kommuninvest's lending portfolio consisted of 47 (44) percent loans with fixed interest and 53 (56) percent loans with variable interest rates.

Increased volumes of Green Loans

The volume of Green Loans granted, financing municipal investment projects promoting the transition to low carbon emissions and sustainable growth, increased over the year. At the end of 2019, SEK 63.1 (39.5) billion in Green Loans had been granted to 346 (232) projects and to 150 (109) municipalities and regions. More information about Green Loans can be found on pages 16–17.

Number of members and lending volume

1987–2019



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.



Kommuninvest and the Stockholm School of Economics developed a leading edge training programme

In the spring of 2019, a course developed by Kommuninvest and Stockholm School of Economics was given for the first time, focusing on financial analysis of local government operations. There were 22 participants from five different municipalities: Karlstad, Kristianstad, Luleå, Skellefteå and Skövde.

The four-day course proceeded from the core concepts, principal relationships and the analytical framework within the subject areas of accounting and financial analysis. Against this background, issues were addressed involving local government investment analyses, efficiency requirements, strategic choices in financing investment needs and the type of long-term financial sustainability needed by local government authorities.

What the five municipalities participating in the course that first time shared was that they face major investment needs, involving several different strategic choices. For this reason, part of the course addressed investment control and the financing options available. Central to this was also a discussion of the different models for coordinating investment needs within a municipal group.

By bringing together municipalities with similar conditions and challenges, the stage was set for an instructive dialogue. A key component of the course was that each municipality brought along a practical investment case from its own operations. The teachers analysed the decision-supporting data and strategic considerations, and the participants exchanged experiences.

“We hope that this training initiative will help people with different qualifications and assignments, and who work with issues of local government finance, to collaborate more effectively in the future. This applies both to collaborations between elected representatives and officials, as well as between those in power and those in opposition. The hope is that the municipalities will gain a sustained effect from this investment in education, benefiting as much as possible from the financial resources that have been made available,” says Johan Nordlund, who heads the programme at the Stockholm School of Economics.

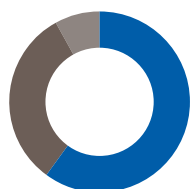
This first course served as a trial run. Kommuninvest now wants to continue developing the concept, to be able to offer the course to additional municipalities in the future.

Significant borrower with highest credit rating

Kommuninvest borrows money in capital markets in Sweden and internationally, which funds lending to municipalities and regions. Demand for secure issuers remained good during the year and Kommuninvest was able to meet its funding plans on competitive terms. At the end of the year, total funding amounted to SEK 450.8 (397.4) billion.

New funding by currency*

2019 (2018)



■ SEK 60 (46) %
■ USD 32 (44) %
■ JPY 8 (9) %
■ MXN, TRY 0 (1) %
■ ZAR 0 (0) %
■ AUD 0 (-) %

*excl. commercial paper funding

New funding by programme*

2019 (2018)



■ Swedish Benchmark Programme 52 (42) %
■ Benchmark funding, other currencies 25 (43) %
■ Uridashi 8 (11) %
■ Green Bonds 14 (4) %

*excl. commercial paper funding

Good demand for Kommuninvest bonds

During 2019, the Company experienced continued good demand for the securities it issues. In October, Kommuninvest decided to add the EUR market as a new strategic funding market. The announcement had a positive effect, leading to increased demand for Kommuninvest's bonds. In October, the issue volume was doubled, which was largely attributable to the positive reception of the announcement regarding the EUR market.

In addition to the EUR market, our strategic funding markets are the SEK and USD markets, both in terms of traditional funding and what is termed as sustainable funding, that is, green bonds. The company also addresses a tactical market in the form of Uridashi funding in the Japanese market. Kommuninvest strives to maintain an even distribution between domestic and international funding.

Focus on increased benchmark funding

Over the year, funding of SEK 135.4 (138.8) billion was raised in bonds with maturities of more than one year. In addition, funding with potential premature redemption within one year was agreed, corresponding to SEK 11.3 (14.7) billion. Funding through short-term

commercial papers, with maturities of less than one year, amounted to SEK 35.5 (48.5) billion. Previously issued funding of SEK 19.7 (17.7) 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 contingencies.

The Company conducts active funding activities, both internationally and in Sweden, through its major bond programmes, referred to as benchmark programmes. During the year, four major benchmark fundings denominated in USD were implemented.

A total of SEK 76.8 (64.9) billion was issued in the Swedish Benchmark Programme with SEK 231.0 (192.7) billion outstanding at the end of the year. In 2019, two bonds were issued (one of which was green), with the Swedish Benchmark Programme comprising a total of eight outstanding bonds.

During 2019, two green bonds were issued, meaning Kommuninvest has issued a total of seven bonds since 2016. Green bonds make it possible to finance environmentally-oriented investment projects in the Society's member municipalities and regions.

Positive news for Kommuninvest's bonds during the year

In October, Kommuninvest decided to add the EUR market as a new strategic funding market. The announcement had a positive impact on the Company's funding conditions in the Swedish market. Kommuninvest's strategic funding markets are denominated in EUR, SEK and USD, both in terms of traditional funding and what is termed as sustainable funding, that is, green bonds.

In November, Kommuninvest issued nearly SEK 10 billion in a new three-year green bond within its benchmark funding programme denominated in USD. The transaction is the largest individual green bond to date from a Nordic SSA player (Sovereigns, Supranationals, Agencies), confirming Kommuninvest's position as Sweden's largest issuer of green bonds.

A significant SSA issuer

Kommuninvest issues securities on international funding markets in the category "Sovereigns, Supranationals and Agencies" (SSA). 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 (Europe)
- KfW (Germany)
- Kommunalbanken (Norway)
- Kommunekredit (Denmark)
- Municipality Finance (Finland)
- Nordic Investment Bank, NIB (Nordic region and Baltic states)

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 year-end, the reserve amounted to SEK 44.7 (47.3) billion, equivalent to 11 (13) percent of the lending volume.

Reserve with high credit quality and low risk

The starting point for Kommuninvest's liquidity strategy is good matching of assets and liabilities. Kommuninvest also maintains a liquidity reserve, the purpose of which is to safeguard existing and future undertakings during periods of financial stress. The Company must always be able to fulfil the agreements into which it has entered and, accordingly, Kommuninvest's liquidity reserve is dependent on funding in each relevant currency. Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. According to the Company's instructions, the liquidity reserve shall ensure that Kommuninvest's commitments can be maintained while maintaining lending capacity, see also pages 34–35. The scale of the liquidity reserve is adapted according to funding maturities, for example, and external factors, such as exchange and interest rate fluctuations. As of 31 December 2019, the liquidity reserve corresponded to 11 (13) percent of the lending

volume. In accordance with the Company's strategy, the liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of up to 39 months.

Focusing on effective and prudent asset management

In 2019, asset management activities were characterised by a liquidity reserve comprising highly tradable assets of superior credit quality. Direct investments are made mainly in securities issued by national governments or central banks, Sovereigns, Supranationals and Agencies (SSA)¹ and multilateral development banks.

At the end of 2019, 84 (86) percent of the reserve was invested in securities with the highest possible creditworthiness. 70 (76) percent consisted of investments in securities issued by issuers in Sweden. See Note 2 for further information on the Company's credit risk exposure.

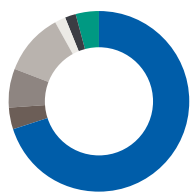
Investment rules for the liquidity reserve

- The liquidity reserve may have a maximum average maturity of 12 months.
- The maximum maturity of individual investments is 39 months.

For further information, see the Risk and capital management section on pages 34–38 or Kommuninvest's website, www.kommuninvest.se.

Liquidity reserve distributed by country

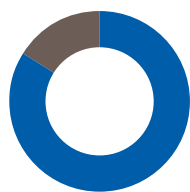
2019 (2018)



Sweden	70 (76) %
Supranationals	4 (7) %
Finland	7 (7) %
Germany	11 (4) %
Denmark	2 (2) %
UK	2 (2) %
USA	4 (0) %
Canada	0 (2) %

Liquidity reserve distributed by rating category

2019 (2018)



AAA	84 (86) %
AA	16 (12) %
A0	0 (2) %

Liquidity reserve distributed by issuer category

2019 (2018)



National governments or central banks	41 (78) %
Credit institutions (subsidised lenders)	13 (9) %
Credit institutions (bank balances)	4 (4) %
Credit institution investment repos	37 (-) %
Multilateral development banks	4 (7) %
Regional or local governments and authorities	0 (2) %

¹ 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 the Company's local government values was further developed with the Employee Programme implemented in 2019.

Kommuninvest operates in an ever-changing world that grows increasingly complex. 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 and value for customers and members even in the future. To manage developments and enhance its employees' capacity for self-management, Kommuninvest has implemented a comprehensive initiative in leadership, employee collaboration, communication and culture in the form of an *employee programme*.

The programme has involved all employees receiving training in modules including:

- Roles, objectives and contexts
- Feedback
- Communication
- Development of groups
- Effective meetings

Measurements of the effects conducted in the autumn of 2019 showed good results with increases in all of the areas measured, including employees feeling a strong commitment to their work roles and being capable of a high degree of self-management. More information about the assessment can be found on page 21.

Strategic competence supply

One of the Company's overall focus areas is to conduct knowledge-oriented operations. The Company works actively with skills supply to develop the expertise of employees and the organisation in line with its operational objectives. Similarly, the Company works in a structured manner to attract, develop and retain employees. Kommuninvest strives to be a continuously learning organisation, able to generate the greatest possible benefit for customers and members. Learning new things and exchanging skills will be one of the Company's most important challenges in the future and, in the coming years, resources will be devoted to increasing all employees capacity to learn new things, as well as on strategic and operational change management.

Guide and develop the skills of the employees and of the organisation in line with operational objectives and strategies

A sustainable organisation

Kommuninvest maintains a holistic view of what a sustainable organisation should look like. To create a well-functioning and healthy workplace, many different parts must be in place, as illustrated below. For Kommuninvest, maintaining a balance between one's professional and private life is important, and we impose strict demands on all aspects of sustainability. The Company provides tools, structures and processes that enable employees to assume considerable responsibility for their own sustainability.



Kommuninvest applies zero tolerance of all forms of discrimination or harassment and works preventively on these issues. The Company endeavours to integrate equality and diversity into all areas of the Company.

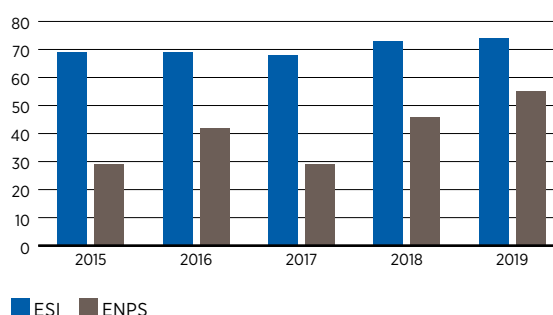
Employee survey 2019

The 2019 employee survey gave an ESI (Employee Satisfaction Index) of 74 (73). This is a high result, indicating a good level of satisfaction with a well-functioning workplace. The outcome also indicates that efforts devoted to leadership, employee collaboration and cultural issues have yielded results. These will also be priority areas as we progress into 2020.

The ENPS (Employee-Net-Promoter-Score) rose from 46 to 55, which is classified as a high value with a high proportion of ambassadors and a low proportion of critics.

Employee survey

20 March 2019



Financial position

At the end of 2019, equity in the Group amounted to SEK 7,994.7 (8,248.6) million. The total capital base was SEK 7,456.1 (7,553.0) million, which gave a total capital ratio of 128.2 (192.8) percent.

At the end of the period, the total assets amounted to SEK 471,321.3 (417,211.0) million, with lending to municipalities and regions accounting for most of the assets. At the end of the year, lending amounted to SEK 408,218.1 (355,710.0) million.

As of 31 December 2019, equity amounted to SEK 7,994.7 (8,248.6) million.

Distribution of surplus in 2020

Pending a resolution by the Society's 2020 Annual General Meeting, the Society will distribute the surplus as refunds and interest on capital contributions for the 2019 financial year. In the financial statements, the Company has submitted Group contributions, for this purpose, of SEK 393.5 (750.6) million, and the proposed surplus to be distributed amounts to SEK 355.4 (717.8) million.

If a decision on the payment of a new capital contribution is made, the Company's Board of Directors deems it likely that all members who have not yet reached the agreed maximum level for member contributions will participate with an amount depending on whether the member has reached 50, 75 or 100 percent of the highest contribution level. Payments of surplus distributions, incoming payments of capital contributions to the Society and of possible capital reinforcement to the Company are expected to take place within three months of a decision. The calculated but yet to be approved capital contribution amounts to SEK 13.0 (30.9) million.

Capital adequacy

The Group is well capitalised to withstand the operational risks, 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 7,456.1 (7,553.0) million, entailing a core Tier I

capital ratio of 128.2 (187.7) percent. Today, the Group's capital base consists solely of core Tier I capital and, accordingly, the total capital ratio also amounts to 128.2 (192.8) percent.

At the end of 2019, the Group's leverage ratio, reported according to CRR (Capital Requirements Regulation), was 1.59 (1.74) percent. With the special regulations for Public Development Credit Institutions (PDCI), under which the leverage ratio is calculated excluding lending to members and their companies, the leverage ratio was 12.36 (11.19) percent, see Alternative key ratios on page 100.

For further information regarding the Group's capital management, see pages 36–37 and Note 2.

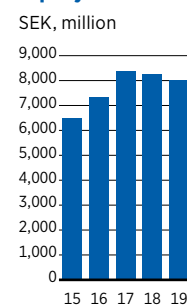
Rating

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody's. In February and September 2019, 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.

Over the year, the Company raised its ESG ratings from the ISS-Oekom and Sustainalytics institutes. The rating from ISS-Oekom was raised in two steps to B–; while Sustainalytics gave an ESG rating of 9.1, in the category “negligible ESG risk”.

The results show that Kommuninvest belongs to the group of financial institutions whose operations are considered least exposed to sustainability risks.

Equity



Comments on the accounts

Pages 49, 51 and 53 present comments to the income statement, balance sheet and statement of 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.

Changes in 2019 regarding risk management and risk exposure

All of the Group's financial operations are conducted within the Company. No material changes took place in 2019 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.

A new risk framework and associated risk policy were prepared during the year. This framework takes effect from 1 January 2020. The purpose of the policy is to establish the external framework of the Company's risk-taking and risk management. The new framework will make a clearer connection between targets, limitations in the form of owner directives and legal requirements and risk measures.

Risk profile and risk management

The Company's risk profile and permitted risk taking is established annually in the owner directives, which are adopted by the Annual General Meeting of the Society. 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 the Board of Directors sets out its basic view on risk and details in concrete terms risk appetites and regulations for the management of the risks identified by the Company. The risk appetite describes the level of 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. The risk appetite is determined at least once a year. The level of risk appetite is determined by factors including financial position, growth targets, market conditions for the given time period and whether efficiency gains can be achieved when risk-taking changes. 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 investments by Swedish municipalities and regions. To fulfil this assignment, the Company borrows money on the financial market and lends this to customers. The business model entails the Company being exposed to risks associated with the financial market, the Swedish central government and the local government authorities' financial conditions, their challenges in terms of climate and sustainability, as well as internal and external operational risks.

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 38 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. Traditionally, Swedish local government authorities have also maintained responsible ownership, which is ascribed considerable significance when setting limits for the municipal group.

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. Credit provision 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 liquidity strategy, liquidity reserve and use of derivatives, as well as its management and control of risks attributable to these operations.

The liquidity procurement 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. The Company endeavours in general to maintain a large proportion of its total funding volume in SEK. To minimise the risk of being excluded from other markets, the Company shall, on an ongoing basis, issue commercial papers and bonds in markets other than Sweden.

The purpose of the liquidity operations is to enable the Company to meet its known and forecasted liquidity needs. The Company's liquidity procurement strategy serves to create favourable conditions to meet needs in terms of extending current lending, new lending, 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 financial and operational risks. The Board of Directors receives regular updates on risk control issues. The function is separate from the business operations and reports 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.

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, as well as leading and coordinating efforts related to operational risks.

Compliance

The Company's compliance function is a control and support function, independent of the business operations, and reports to the CEO. The head of the compliance function is appointed by the CEO and reports on compliance matters to both the CEO and the Board of Directors.

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 to the Board of Directors. 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 instructions of the Board of Directors and the CEO. The internal audit reports to the Board of Directors, the President and the Group's external auditors on an ongoing basis. Each year, the Board of Directors establishes a plan for the work of the internal audit. The CEO reports to the Board 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 Credit Group functions as a preparatory body in the assessment of new counterparties, new financial instruments and other credit issues requiring decisions by the Board of Directors or the CEO. The Credit Risk Committee determines the model and factors on which the Company's calculation of expected credit losses is based. 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.

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.

Capital management

The Society is responsible for Kommuninvest's capitalisation. 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.

Kommuninvest's capitalisation – responsibility of the owners

Kommuninvest builds up capital by means of obligatory and voluntary member contributions from the members of the Society, who are also its owners. Kommuninvest's owners have determined that it shall be possible to double member contributions in an effort to strengthen capital, without it being necessary to amend the statutes of the Society. Implementing this requires a special decision at an Annual or Extraordinary General Meeting of the Society. The Society's statutes also permit other options, such as subordinated loans or the issuance of Tier I capital instruments.

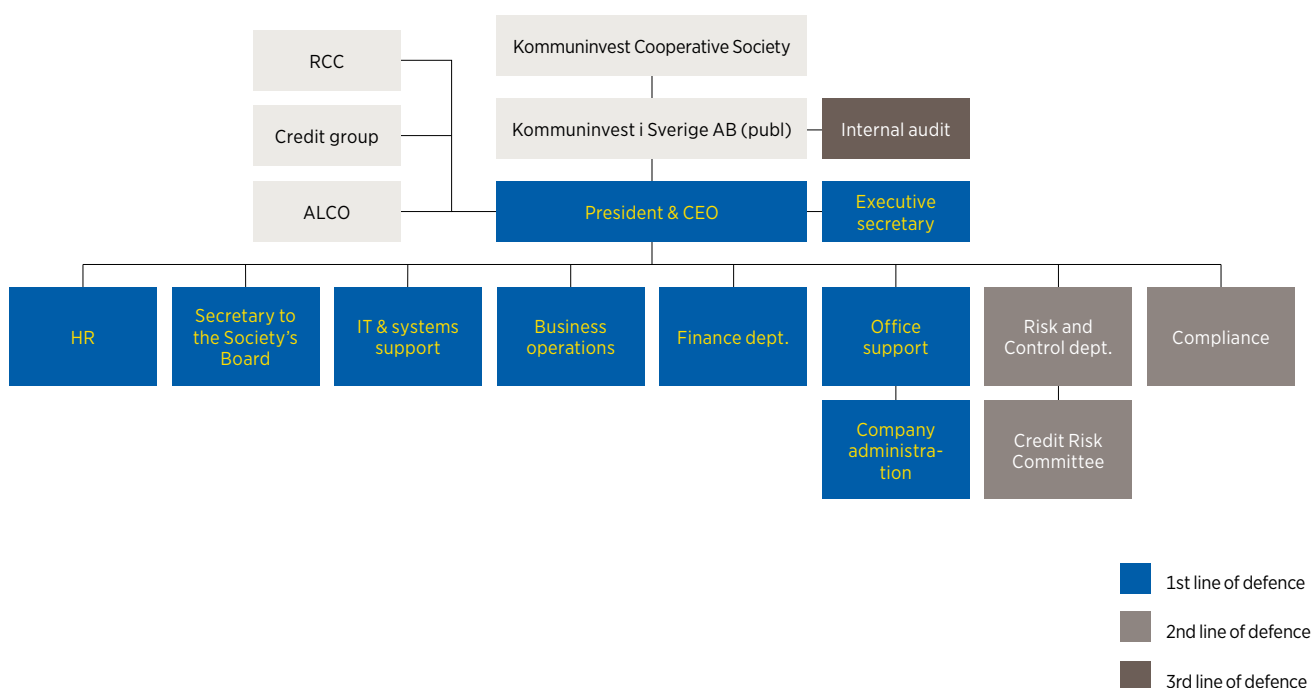
The Society strengthens the Company's capital by acquiring shares. All share capital in the Company consists of core Tier 1 capital.

Capital plan and internal capital assessment

Each year, the Society draws up a plan for building up capital within Kommuninvest. The plan includes guidelines and rules for decision making regarding the build-up of capital within the Group, as well as for the contribution levels to apply during the ensuing capitalisation period.

Kommuninvest's internal capital and liquidity assessment (ICLA) is an important building block in determining the plan for Kommuninvest's build-up of capital. Within the ICLA framework, an internal assessment of the Group's capital and liquidity needs is made, based on the risks in the operations and regulatory requirements. The internal capital assessment is compiled in a report approved by the Board of the Society, which is submitted on demand to the Swedish Financial Supervisory Authority (Finansinspektionen).

Organisational chart with the operations' three lines of defence



The Board of Directors of the Society bears the ultimate responsibility for Kommuninvest's ICLA process and the CEO of the Society is responsible for integrating the Group's ICLA process into the Group's ongoing operations and planning.

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

Future leverage ratio requirements

Effective from 28 June 2021, the new capital requirement measure, leverage ratio, will be applied within the EU. The leverage ratio has been set at 3 percent and will be directly applicable to Kommuninvest via the Capital Adequacy Regulation (EU) 2019/876 of 20 May 2019.

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.

A specific regulation is applied when calculating the leverage ratio for Public Development Credit Institutions (PDCI). In Kommuninvest's own assessment, it meets all of the criteria to be defined as a PDCI and in its most recent review and evaluation process, the Swedish Financial Supervisory Authority found no reason to question that assessment. For Kommuninvest, this means that all lending to members and

their companies can be deducted from the exposure measure applied in calculating the leverage ratio of the Company and the Group. Accordingly, Kommuninvest meets the leverage requirement of 3 percent under Pillar 1 by a good margin.

The Swedish Financial Supervisory Authority has communicated that the supervisory authority's assessment is that Kommuninvest has a continued need to retain capital to avoid an insufficient leverage ratio, in accordance with Article 98 (6) of the Capital adequacy directive (2013/36/EU), regardless of the leverage ratio regulation determined under Pillar 1. The capital requirement to counter the risk of an insufficient leverage ratio is addressed in Pillar 2 and is based on Kommuninvest's total capital requirement corresponding to a leverage ratio of at least 1 percent, calculated on the basis of the total gross exposure (including lending to members and their companies). The Swedish Financial Supervisory Authority's assessment regarding the risk of an insufficient leverage ratio applies both to the Company and the Group.

Capitalisation 2019

Within the Society, capitalisation is achieved through member contributions and distribution of surplus through refunds. In 2019, the subscribed capital in the Society increased by SEK 110.1 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 derivative 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 290 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", Corp. ID No. 716453-2074) owns 100 percent of the shares in Kommuninvest i Sverige AB ("the Company", Corp. ID No. 556281-4409).

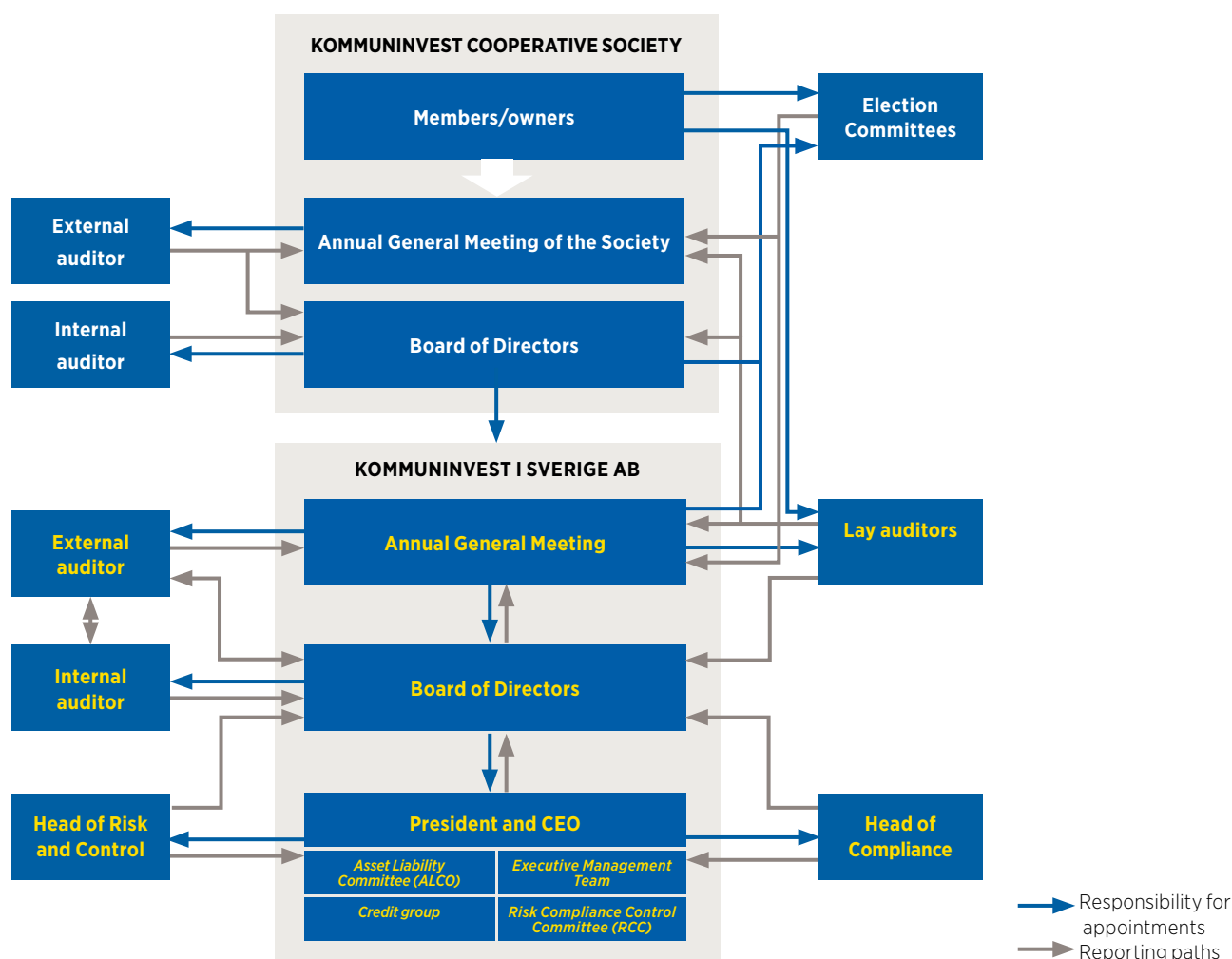
The Company holds 100 percent of the shares in Kommuninvest Fastighets AB (corporate identity number 556464-5629). On 31 December 2019, participation capital in the Society amounted to SEK 7,000.0 (6,889.9) million. Each new member of the Society contributes participation capital based on

number of residents in the member municipality or region. At 31 December 2019, the Society had 290 (288) members.

Governance principles

The members of the Society are Swedish municipalities and regions. The Cooperative Society, is a venture providing access to cost-efficient and stable financing for members and their companies.

According to its Articles of Association, the Society shall not seek to generate a 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 a decisive influence. 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 2019 Annual General Meeting, member consultations were held in 17 (18) locations around Sweden, with 357 (346) politicians and officials participating. In September 2019, three additional member consultations were held to discuss the Group's capitalisation, with 81 politicians and officials participating. One of the additional member consultations was broadcast live via the Internet.

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, providing a large proportion of members' loan financing, maintaining a high level of cost efficiency and having a 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 of a compensation committee. Instead, these duties are carried out by the Chairman of the Company's Board of Directors.

Remunerations shall help attract, retain and motivate employees so that operations can be conducted in an optimal manner. The basic principle is that remunerations and other

More information about Kommuninvest's corporate governance

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

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 2019 Annual General Meeting was held on 11 April 2019 in Stockholm. At the Meeting, 169 (162) municipalities and regions were represented, corresponding to 58 (56) percent of the members. At the Annual General Meeting, each member has one vote. Matters addressed by the Meeting included:

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

The Annual General Meeting of the Company is held in direct connection with the 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 fostering 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 operational matters. This means that issues concerning new

Election Committee of the companies owned by the Society 2019/2020

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
 (stepped down 11 April 2019)
 Pierre Sjöström (S), Municipality of Staffanstorps (elected 11 April 2019)

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

members, withdrawal of members, possible exclusion from membership, the capitalisation of the Group, guarantee issues, etc. are dealt with by the Board of Directors of the Society.

The Board of Directors of the Company deals with financing issues, credit issues (such as limits and analyses), as well as other operational issues. However, the connection between the two boards is strong, since certain issues concern both Boards. 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 and Audit Committee in accordance with rules of procedure established by the Annual General Meeting. In addition, in its capacity as the Audit Committee, 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 work of the Working Committee and the Audit Committee are to be reported at Board meetings on an on-going basis.

Work of the Board of Directors in 2019

In 2019, 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
- 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 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 a matter 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 Chapter 7, Section 29 of the Economic Associations Act (2018:672), the President is entitled, in certain instances, to undertake measures without the authorisation of the Board. For the reasons stated above, the President shall act restrictively and consult the Chairman of the Board.

Leadership assessment

In accordance with the regulations for financial companies under the supervision of the Swedish Financial Supervisory Authority, the members of the Board of the Kommuninvest Cooperative Society and the President are to be assessed in terms of their leadership.

Board members

Effective from the Annual General Meeting of 11 April 2019, the Board of Directors of the Kommuninvest Cooperative Society has consisted of Göran Färm (Chairman), Linda Frohm (Vice Chairman), Lilly Bäcklund, Britta Flinkfeldt, Ewa-May Karlsson, Maria Liljedahl, Örjan Mossberg, Kenneth Handberg, Jonas Ransgård, Fredrik Larsson, Niclas Nilsson, Bo Rudolfsson, Carina Sándor, Pierre Sjöström and Anna-Britta Åkerlind. The members are presented on page 42.

Analysis and Finance Committee

The Board of Directors of the Society appoints an Analysis and Finance Committee that is responsible for monitoring the financial status of the members and overall development in the local government sector. It also prepares 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 2019 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 1,644.3 (1,566.1) for 2019.

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



EWA-MAY KARLSSON (C)
Region Västerbotten



ÖRJAN MOSSBERG (V)
Municipality of Växjö



JONAS RANSGÅRD (M)
City of Gothenburg



FREDRIK LARSSON (M)
Region Värmland



NICLAS NILSSON (SD)
Municipality of Kristianstad



CARINA SÁNDOR (L)
Municipality of
Skinnskatteberg



MARIA LILJEDAHL (SD)
Municipality of Köping



KENNETH HANDBERG (S)
Municipality of Örebro



BO RUDOLFSSON (KD)
Municipality of Laxå



PIERRE SJÖSTRÖM (S)
Municipality of Staffanstorps



ANNA-BRITTA ÅKERLIND (C)
Municipality of Örnsköldsvik

DEPUTIES

Peter Hemlin (M)
Municipality of Bollebygd

Catharina Winberg (M)
Municipality of Växjö

Christina Johansson (M)
Municipality of Arboga

Peter Kärnström, (S)
Municipality of Sandviken

Mohamad Hassan (L)
Municipality of Uppsala

Hans Lindberg (S)
Municipality of Umeå

Ulf Olsson (S)
City of Borås

Ann-Marie Johansson (S)
Region Jämtland Härjedalen

Anders Johansson (C)
Municipality of Mönsterås

Elizabeth Peltola (C)
Municipality of Älmhult

Catharina Fredriksson (S)
Municipality of Oxelösund

Teddy Nilsson (SD)
Municipality of Svalöv

Martin Kirchberg (SD)
Municipality of Torsås

Maria Fälth (KD)
Municipality of Upplands Väsby

Jeanette Wäppling (V)
Municipality of Gällivare

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 on the basis of a proposal from the Board of Directors' Audit Committee, for the period extending until the end of the ordinary Annual General Meeting held in the fourth financial year following the auditor's election. The Annual General Meeting also appoints a deputy auditor.

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

External auditor

At The Society's 2016 Annual General Meeting, KPMG AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2020. KPMG AB has appointed authorised public accountant Anders Tagde as chief auditor. The chief auditor meets with the Board of Directors of the Company at least

twice a year, and the Board of Directors of the Society at least once a year. Among Anders Tagde's other auditing assignments, 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 CEO and other representatives of the Group. Where necessary the lay auditors can initiate auditing measures additional to the normal statutory audit.

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

At the 2019 Annual General Meeting of the Society, Cecilia Löfgren stepped down as lay auditor and Anki Svensson (M), Municipality of Tyresö, was elected in her place.

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

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

Organisation of the financial cooperation

Following an approval process, Swedish municipalities and 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 2019, the Society had 290 (288) members, of which 278 (277) were municipalities and 12 (11) were regions. Consequently, 96 (96) percent of Sweden's municipalities and 57 (55) percent of Sweden's regions were members (partners) in the Society. During the year, Region Blekinge and the Municipality of Ekerö became members.

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 2019, participation capital in the Society totalled SEK 7,000.0 (6,889.9) million. The increase is an effect of capital contributions paid in by members. In addition, subscription capital can be increased through decisions by the Annual General Meeting regarding participation issues or decisions regarding new annual contributions.

Membership status

At the end of the year, there were 290 (288) members in the Kommuninvest Cooperative Society. No memberships were cancelled during 2019 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 2019, the Society reported profit before tax of SEK 358.3 (720.2) million. This profit is primarily attributable to a Group contribution from the Company of SEK 393.5 (750.6) million. Profit after tax amounted to SEK 355.4 (717.8) million.

Personnel

The Society had no employees in 2019 and consequently no salaries were paid.

Appropriation of surplus

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

The profit of SEK 360,722,492 at the disposal of the Annual General Meeting of the Society be appropriated as follows:

Interest of 1.75 percent on contribution capital is paid to members	121,059,484
Refunds be distributed to members in proportion to each member's share of the total business volume in 2019	234,345,516
To be carried forward	5,317,492
Total appropriated	360,722,492

See also Note 11 on page 84.

That members entitled to interest on contributions and refunds are those municipalities and regions that had become members by 31 December 2019 at the latest.

That interest on contribution capital and refunds are to be disbursed at the latest one month after the decision by the 2020 Annual General Meeting.

That business volume refers to the average borrowing debt to Kommuninvest i Sverige AB of each member during 2019. 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 128.2 (192.8) percent, compared with the requirement of Pillar 1, including buffer requirements, of 12.5 (11.4) percent. The capital base amounts to SEK 7,456.1 (7,553.0) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 465.3 (313.4) 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 13.0 (30.9) million.

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

Financial statements

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Income statement – Group

1 January – 31 December

SEK, million	Note	2019	2018
Interest revenues calculated according to effective interest method		1,198.9	494.0
Other interest revenues		24.6	11.3
Interest expenses calculated according to effective interest method		-241.0	436.7
Other interest expenses		-171.5	-69.5
NET INTEREST INCOME	3	811.0	872.5
Commission expenses	4	-11.3	-8.2
Net result of financial transactions	5	-201.5	161.4
<i>of which, derecognised assets measured at amortised cost</i>		3.3	0.5
Other operating income	6	9.0	7.6
TOTAL OPERATING INCOME		607.2	1,033.3
General administration expenses	7	-246.9	-273.5
Depreciation and impairment of intangible assets	18	-4.4	-5.3
Depreciation and impairment of tangible assets	19	-3.9	-3.9
Other operating expenses	8	-7.9	-4.5
TOTAL EXPENSES		-263.1	-287.2
PROFIT BEFORE CREDIT LOSSES		344.1	746.1
Net credit losses	9	12.6	-24.3
OPERATING PROFIT		356.7	721.8
Tax	10	-2.9	-3.7
NET PROFIT		353.8	718.1

Statement of comprehensive income – Group

1 January – 31 December

SEK, million	2019	2018
NET PROFIT	353.8	718.1
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	353.8	718.1

Comments on the income statement – Group

Net interest income

Net interest income amounted to SEK 811.0 (872.5) million and was thus marginally lower than the preceding year. It was possible to lower the Group's lending margin by slightly more than 3 basis points in 2019, compared with the preceding year, and this was mainly due to a restrained expenses trend combined with increased lending volumes. The sharply increased lending volumes have partly offset the decline in net interest income resulting from the reduced margins.

For further information regarding net interest income for the period, see Note 3.

Net result of financial transactions

The net result of financial transactions amounted to negative SEK 201.5 (positive 161.4) million. The result is mainly explained by unrealised negative changes in market value of negative SEK 193.9 (positive 164.4) 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 during the year are mainly explained by the fact that unrealised gains from currency swaps have decreased as contracts have approached maturity. Currency swaps are used to hedge the risks from Kommuninvest's financing in USD and are always held to maturity. See also Note 5.

Expenses

Expenses totalled SEK 263.1 (287.2) million, including the cost of the resolution fee of SEK 27.4 (69.1) 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 2019 has been set by the Swedish National Debt Office at SEK 27.4 (69.1) million.

Excluding the resolution fee, operating expenses amounted to SEK 235.7 (218.1) million, of which payroll expenses accounted for SEK 129.7 (124.0) million and other operating expenses for SEK 106.0 (94.1) million. The increase in other expenses is largely explained by higher IT expenses and an increase in the Supervisory fee by SEK 7.4 million paid to the Swedish Financial Supervisory Authority for the preceding year.

Net credit losses

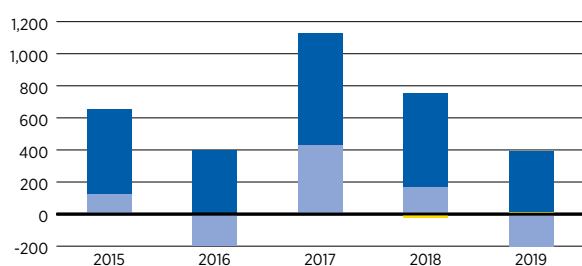
Net credit gains amounted to SEK 12.6 (losses 24.3) million. Kommuninvest has not had any confirmed credit losses. All credit losses are expected credit losses calculated in accordance with the accounting standard IFRS 9. IFRS 9 requires expected credit losses to be calculated based on a forward-looking analysis of the economic trend. However, for the year at hand, these actually amounted to an expected credit gain, mainly as a consequence of changes in credit risk. For more information on credit losses, see Note 2.

Net profit

Kommuninvest's operating profit, its profit before tax, amounted to SEK 356.7 (721.8) million. Operating profit includes unrealised changes in market value of negative SEK 193.9 (positive 164.4) million and net credit gains of SEK 12.6 (losses 24.3) million. Excluding unrealised changes in market value and credit losses, net profit amounted to SEK 538.0 (581.7) million. Kommuninvest labels this as its operating profit, for more information see Alternative key ratios on page 100. The tax expense for the year recognised in the income statement amounted to SEK 2.9 (3.7) million. For further information regarding tax, see Note 10. Profit after tax amounted to SEK 353.8 (718.1) million.

Operating profit before tax

SEK, million

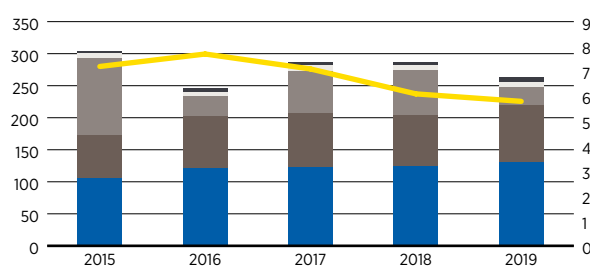


■ Operating profit before tax
 ■ Portion of profit attributable to unrealised changes in market value
 ■ Portion of profit attributable to net credit losses

Distribution of expenses

SEK, million

Basis points



■ Payroll expenses
 ■ Other administration expenses
 ■ Resolution fee/stability fee¹
 ■ 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	2019	2018
ASSETS			
Cash and balances with central banks	2	811.1	-
Sovereign bonds eligible as collateral	2, 12	17,686.3	39,230.3
Lending to credit institutions	2	21,935.7	1,870.7
Lending	2, 14	408,218.1	355,710.0
Bonds and other interest-bearing securities	2, 15	7,722.6	7,457.8
Derivatives	2, 17, 30	11,967.0	11,333.2
Intangible assets	18	21.4	15.7
Tangible assets	19	7.4	5.3
Tangible assets, lands and buildings	19	29.4	29.8
Current tax assets		75.0	78.6
Other assets	21	2,826.5	1,463.8
Deferred tax assets	10	0.6	0.6
Prepaid expenses and accrued revenue		20.2	15.2
TOTAL ASSETS		471,321.3	417,211.0
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities and provisions			
Liabilities to credit institutions	2	4,027.7	584.0
Securities issued	2	446,763.0	396,796.9
Derivatives	2, 17, 30	3,484.5	5,959.6
Change in value of interest-hedged item in portfolio hedging	17	0.7	-
Other liabilities	22	8,006.2	4,578.3
Accrued expenses and prepaid revenues		44.3	43.4
Provisions for pensions and similar obligations	23	0.1	0.1
Subordinated liabilities	24	1,000.1	1,000.1
Total liabilities and provisions		463,326.6	408,962.4
Equity			
Participation capital		7,000.0	6,889.9
Reserves		21.1	12.0
Profit carried forward		619.8	628.6
Net profit		353.8	718.1
Total equity	26	7,994.7	8,248.6
TOTAL LIABILITIES, PROVISIONS AND EQUITY		471,321.3	417,211.0

Comments on the balance sheet – Group

Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 471,321.3 (417,211.0) million, with lending to municipalities and regions accounting for most of those assets. Lending amounted to a recognised value of SEK 408,218.1 (355,710.0) million at the end of the year. 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 49. In nominal terms, lending amounted to SEK 406,511.1 (353,946.1) million.

The liquidity portfolio, consisting of the balance sheet items Cash and balances with central banks, Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities, amounted to SEK 48,155.7 (48,558.8) million.

Derivative assets (derivatives with positive market value) amounted to SEK 11,967.0 (11,333.2) million.

The balance sheet item Other assets amounted to SEK 2,826.5 (1,463.8) million. Other assets consist primarily of SEK 2,807.6 (1,454.4) million in collateral pledged. Collateral pledged 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 pledged for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet, with separate asset and liability items. For more information on other assets, see Note 21.

Liabilities

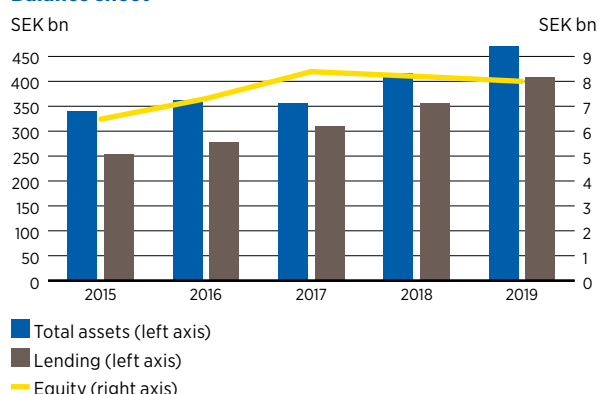
Kommuninvest's liabilities amounted to SEK 463,326.6 (408,962.4) million and funding increased to SEK 450,791.4 (397,380.9) million over the year. Derivative liabilities (derivatives with negative market value) amounted to SEK 3,484.5 (5,959.6) million. Other liabilities amounted to SEK 8,006.2 (4,578.3) million. Other liabilities include collateral received of SEK 7,981.5 (4,551.8) 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. Cash collateral received for derivatives not cleared by a central clearing counterparties are not eligible to be netted and are therefore recognised 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 shareholders' equity, see Comments on the statement of changes in shareholders' equity on page 52.

Balance sheet



Statement of changes in equity – Group

SEK, million	Participation capital	Reserves ¹	Profit or loss brought forward	Total share-holders' equity
Equity carried forward 31 December 2017	6,770.6	-0.7	1,619.1	8,389.0
Transition effect IFRS 9		3.8	-11.8	-8.0
Equity brought forward 1 January 2018	6,770.6	3.1	1,607.3	8,381.0
Total comprehensive income				
Net profit			718.1	718.1
Change in development expenditure reserve for the year		8.9	-8.9	-
Comprehensive income for the year				-
Total comprehensive income	-	8.9	709.2	718.1
<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
Equity carried forward 31 December 2018	6,889.9	12.0	1,346.7	8,248.6
Equity brought forward 1 January 2019	6,889.9	12.0	1,346.7	8,248.6
Total comprehensive income				
Net profit			353.8	353.8
Change in development expenditure reserve for the year		9.1	-9.1	-
Comprehensive income for the year		-		-
Total comprehensive income	-	9.1	344.7	353.8
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-717.8	-717.8
<i>New participation capital during the period</i>				
Participation capital from new members of the Society	12.0			12.0
Contributions from existing members	98.1			98.1
Equity carried forward 31 December 2019	7,000.0	21.1	973.6	7,994.7

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

Comment on the statement of changes in equity – Group

Equity

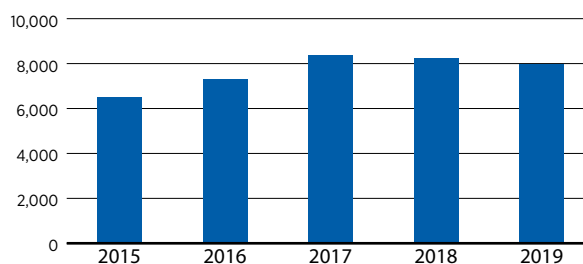
At the end of 2019, shareholders' equity in Kommuninvest amounted to SEK 7,994.7 (8,248.6) million. Over the period, equity was mainly affected by net profit for the year of SEK 353.8 (718.1) million and by the distribution of SEK 717.8 (969.8) million in surpluses to the members of the Society based on refunds and interest on contribution capital for the 2018 financial year. In addition, contribution capital of a total SEK 110.1 (119.3) 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 33 and pages 36–37.

The development expenditure reserve of SEK 21.1 (12.0) million corresponds to capitalised in-house development costs adjusted by a proportionate share of the amortisation reversed 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	2019	2018
Operational activities		
Operating profit	356.7	721.8
Adjustment for items not included in cash flow	190.0	-130.4
Income tax paid	0.8	-1.6
	547.5	589.8
Change in liquidity reserve	21,349.0	-9,564.7
Change in lending	-52,528.8	-45,915.2
Change in other assets	-1,367.9	-663.6
Change in other liabilities	3,427.9	3,907.6
Cash flow from operational activities	-28,572.3	-51,646.1
Investment activities		
Acquisitions of intangible assets	-10.1	-11.0
Acquisition of tangible assets	-4.5	-0.5
Divestments of tangible assets	0.2	-
Cash flow from investment activities	-14.4	-11.5
Financing activities		
Issue of interest-bearing securities	182,226.2	202,020.3
Redemption and repurchases of interest-bearing securities	-132,155.6	-148,339.2
Distribution of surplus as refunds and interest	-717.8	-969.8
Participation capital from new members of the Society	12.0	-
Contributions from existing members	98.1	119.3
Amortisation of leasing liability	-0.4	-
Cash flow from financing activities	49,462.5	52,830.6
Cash flow for the year	20,875.8	1,173.0
Cash and cash equivalents at start of the year	1,871.5	698.5
Cash and cash equivalents at end of the year	22,747.3	1,871.5
Cash and cash equivalents consists in their entirety of cash and balances with central banks, as well as lending to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
Adjustment for items not included in cash flow		
Depreciation	8.3	9.2
Profit from divestments of tangible assets	-0.1	-
Exchange rate differences from change in financial assets	0.5	0.5
Unrealised changes in market value	193.9	-164.4
Net credit losses	-12.6	24.3
Total	190.0	-130.4
Interest paid and received, included in the cash flow		
Interest received ¹	1,086.2	352.2
Interest paid ²	530.2	1,260.6

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

2019	Opening balance	Cash flows	Currency exchange fluctuations	Fair value change	Group contributions	Closing balance
Amortisation of leasing liability	1.1	-0.4	-	-	-	0.7
Funding, incl. derivatives	392,007.3	50,070.6	0.5	229.8	-	442,308.2
Total	392,008.4	50,070.2	0.5	229.8	-	442,308.9

Income statement – Parent Society

1 January – 31 December

SEK, million	Note	2019	2018
Operating expenses	7	-18.8	-17.5
Operating profit		-18.8	-17.5
Financial revenues and expenses			
Revenues from participations in Group companies, Group contributions		393.5	750.6
Interest expenses	3	-0.1	-0.2
Interest expenses, subordinated loan	3	-16.3	-12.7
Total financial income and expenses		377.1	737.7
Loss after financial items		358.3	720.2
Profit before tax		358.3	720.2
Tax	10	-2.9	-2.4
NET PROFIT		355.4	717.8

Statement of comprehensive income – Parent Society

1 January – 31 December

SEK, million	2019	2018
Net profit	355.4	717.8
Other comprehensive income	-	-
Comprehensive income for the year	355.4	717.8

Balance sheet – Parent Society

As per 31 December

SEK, million	Note	2019	2018
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Shares and participations in subsidiaries	16	7,100.0	7,100.0
Total fixed assets		7,100.0	7,100.0
Current assets			
<i>Receivables</i>			
Prepaid expenses and accrued revenue		0.1	0.5
Receivables from subsidiaries	20	1,397.0	1,639.8
Other current assets		0.0	0.1
Total current assets		1,397.1	1,640.4
Lending to credit institutions	13	11.9	18.7
TOTAL ASSETS		8,509.0	8,759.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Participation capital	25	7,000.0	6,889.9
Statutory reserve		140.3	140.3
Profit or loss brought forward	11	5.3	5.3
Net profit	11	355.4	717.8
Total equity		7,501.0	7,753.3
Liabilities			
<i>Long-term liabilities</i>			
Subordinated liabilities	24	1,000.1	1,000.1
Total long-term liabilities		1,000.0	1,000.1
<i>Current liabilities</i>			
Accounts payable, trade	22	1.4	0.5
Tax liabilities	22	4.4	2.4
Other current liabilities	22	0.3	0.4
Accrued expenses and prepaid revenues		1.8	2.4
Total current liabilities		7.9	5.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,509.0	8,759.1

Statement of changes in equity

– Parent Society

SEK, million	Participation capital	Statutory reserve ¹	Unrestricted equity	Total share-holders' equity
Equity brought forward 1 January 2018	6,770.6	140.3	975.1	7,886.0
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
Equity carried forward 31 December 2018	6,889.9	140.3	723.1	7,753.3
Equity brought forward 1 January 2019	6,889.9	140.3	723.1	7,753.3
Net profit			355.4	355.4
<i>Appropriation of surplus in accordance with decision by the Annual General Meeting of the Society</i>				
Distribution of surplus as refunds and interest			-717.8	-717.8
Allocation to statutory reserve				-
<i>New participation capital during the year</i>				
Participation capital from new members of the Society	12.0			12.0
Contributions from existing members	98.1			98.1
Equity carried forward 31 December 2019	7,000.0	140.3	360.7	7,501.0

1) The statutory reserve comprises statutory provisions to restricted equity.

Cash flow statement – Parent Society

1 January – 31 December

SEK, million	2019	2018
Operational activities		
Operating profit	358.3	720.2
Adjustment for items not included in cash flow	-393.5	-750.6
Income tax paid	-0.9	-0.4
	-36.1	-30.8
Cash flow from changes in working capital		
Change in accounts payable, trade	0.9	0.1
Change in other liabilities	-0.7	1.0
Change in other assets	0.5	-0.5
Cash flow from operational activities	-35.4	-30.2
Financing activities¹		
Distribution of surplus as refunds and interest	-717.8	-969.8
Participation capital from new members of the Society	12.0	-
New participation capital from members	98.1	119.3
Change in intra-Group liabilities	636.3	863.1
Cash flow from financing activities	28.6	12.6
Cash flow for the year	-6.8	-17.6
Cash and cash equivalents at start of the year	18.7	36.3
Cash and cash equivalents at end of the year	11.9	18.7
Cash and cash equivalents consists in their entirety of cash and bank balances.		
Adjustment for items not included in cash flow		
Group contributions not received	-393.5	-750.6
Revaluation of financial fixed asset	-	-
Cash flow from financing activities	-393.5	-750.6
Interest paid and received, included in the cash flow		
Interest received	-	-
Paid interest	-16.4	-12.9

1) Under "Financing activities" the Group has chosen to present Group contributions, distribution of surplus, new participation capital from members, 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

Compliance with standards and legislation

The Annual Report was approved for publication by the Board of Directors on 11 March 2020. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 16 April 2020.

The accounting principles are in line with those applied in the 2018 Annual Report, with the exception of amendments caused by new IFRS standards coming into effect on 1 January 2019. The comparative figures have not been recalculated.

Disclosures on the nature and extent of risks arising from financial instruments are provided on pages 34–38 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 amended its accounting principles regarding leasing after IFRS 16 Leases replaced IAS 17 Leases on 1 January 2019. Because the introduction had an immaterial effect, the transition was adjusted in the opening balance and no comparative figures were recalculated.

Other new or amended laws, standards and interpretations introduced during the year have not had any material effect 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 took effect on 1 January 2019, replacing IAS 17 Leases. A key difference in the new lease standard is that leases are no longer classified as finance 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 are very limited and the effect of the transition on the opening balance was an increase of SEK 1.1 million in total assets. The transition was made

applying a simplified method, with no comparative figures being recalculated. The rights of use asset was valued at the same amount as the leasing debt and, accordingly, the transfer had no effect on equity. The standard has had an immaterial impact on Kommuninvest's net profit, position, disclosures, capital requirements, capital base and large exposures. For further information, see Note 31.

New and amended laws, standards and interpretations yet to take an effect

Of the new standards and interpretations coming into force after 2019, 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 basis or major exposures.

Amendments to IFRS 9, IAS 39 and IFRS 7

On 26 September 2019, the IASB published amendments to the standards IAS 39, IFRS 9 and IFRS 7, prompted by ongoing reforms of current reference rates (also referred to as IBOR). The amendments entail companies not being forced to cancel hedge accounting due to the uncertainty prevalent on transition to new reference rates, as well as additional disclosure requirements being added.

The amendments entail Kommuninvest being able to continue applying hedge accounting despite the possible inefficiencies that could arise in the hedge accounting as a consequence of the change in how Stibor and other IBOR are determined and/or any compensation of Stibor/other IBOR with a risk-free interest rate. In addition, the amendments to IFRS 7 will entail additional disclosures beginning to be provided in the annual report as of 2020.

The amendments are to apply to all hedging relationships that are directly affected by the IBOR reform. The amendments to the standards will come into effect on 1 January 2020, but have yet to be approved by the EU. Kommuninvest does not intend to apply the changes prematurely. The changes to the standards have a very limited impact on Kommuninvest's net profit and position as Kommuninvest has very few hedging relationships associated with the uncertainty in foreign IBOR.

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.

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

Note 1, continued

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 section Financial instruments and Note 29.

With regard to Kommuninvest's business model for financial assets, this has been assessed as holding 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.

Subsidiaries

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

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.

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 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 revenue and interest expenses include periodised amounts of 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 earned interest on funding and its derivative hedging. This has led to total interest expenses corresponding to positive amounts (income).

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.

For more information on interest revenues and interest expense, see Note 3.

Commission expenses

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

Net result of financial transactions

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

- Unrealised changes in 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.
- 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 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.

Note 1, continued

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

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. As per 31 December 2019, 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

Where there is no accounting mismatch, financial liabilities are recognised at amortised cost. Where there is an accounting mismatch, financial liabilities are recognised at fair value through the income statement.

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.

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. It 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. It would result in accounting mismatches if the derivative 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.

Hedge accounting

Kommuninvest applies IAS 39 with regard to hedge accounting.

To obtain a true and fair picture of the operation, Kommuninvest applies, where possible, hedge accounting of fair value for the assets and liabilities which have been hedged with one or more financial instruments. As of 2019, Kommuninvest applies both transaction-matched fair value hedging and portfolio-matched fair value hedging.

The hedged risk is the risk of fluctuations in fair value as a consequence of changes in the interest on swaps.

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.

Transaction-matched hedging

The hedged item, consisting of fixed-interest funding or lending, is reassessed on the basis of changes in fair value in terms of the hedged risk. Kommuninvest uses interest rate and currency swaps as hedge instruments. The change in value of the hedged risk is reported on the same line in the balance sheet as the hedged item. Both the change in value of the hedged item and

Note 1, continued

the hedging instrument are recognised in the income statement under Net result of financial transactions.

Portfolio hedging

The hedged item derives from a fixed-interest lending portfolio based on maturity date. The hedged item is revalued at fair value, taking the hedged risk into account. The value of the hedged risk is reported on a separate line in the balance sheet as change in value of interest-hedged items in portfolio hedging. As hedging instruments, Kommuninvest uses interest rate swaps whose terms are in agreement with the hedged item. Both the change in value of the hedged item and the hedging instrument are recognised in the income statement under Net result of financial transactions.

Credit losses and impairments on financial instruments

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. 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.

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 occupational 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 an expense in the income statement at the rate at which they are earned as employees carry out services for Kommuninvest during a particular period. Premiums are paid to 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.

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 personnel 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 K1 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.

Since 1 January 2018, revenues from K1 Finans is recognised in accordance with IFRS 15 and Kommuninvest recognises revenue for K1 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. Current expenses related to K1 Finans are expensed.

Other operating expenses

Other operating expenses primarily include expenses for marketing and insurance.

*Note 1, continued***Contingent liabilities**

Disclosures regarding contingent liabilities are provided when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not likely that an outflow of resources will be needed.

Leasing

As of 1 January 2019, Kommuninvest applies IFRS 16 Leases in reporting leasing arrangements. Leases are capitalised as rights of use assets under tangible assets and as leasing debts under other liabilities in the balance sheet. The relief rule is applied that allows all leases to be expensed for which the underlying asset is of low value.

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 shareholders' equity, whereby the appurtenant tax is also recognised in other comprehensive income or shareholders' equity.

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

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

Equity

Kommuninvest has classified the subscribed capital in the Kommuninvest Cooperative Society as consolidated shareholders' equity, since the subscribed capital has the characteristics

and meets the conditions stated in IAS 32:16 A and B, see also Note 25.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash flow statement has been divided into inward and outward payments from operational activities, investment activities and financing activities. Operating activities mainly include changes in the lending and liquidity portfolio. Investing activities encompass investments in tangible and intangible assets. The financing activities shows the issue and redemption/repurchase of securities issued. Kommuninvest applies the exemption rule in IAS 7:23 and reports issues of less than three months net. The financing activities also include a new share issue and change in consolidated debt.

Segment reporting

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

The Society's accounting principles

The Society's accounting policies are those applied by the Group, with the exception that the income statement and balance sheet follow the formats required under the Annual Accounts Act. 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 34–38 for a comprehensive description of Kommuninvest's risk profile and risk organisation and the separate Risk and Capital Management Report, which is available at www.kommuninvest.se). Also shown under each area of risk are the current exposure and estimated capital requirement.

No material changes took place in 2019 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. A new risk framework and associated risk policy were prepared during the year. This framework took effect from 1 January 2020. The purpose of the policy is to establish the external framework of the Company's risk-taking and risk management. The new framework will make clearer the connection between targets, limitations in the form of owner directives and legal requirements and risk measures.

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 Kommuninvest'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. Limits are determined by the CEO 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.

Credit risk exposure	2019					2018				
	Recognised gross value	Expected credit losses	Recognised value ¹	Risk-weighted exposure value	Capital requirement	Recognised gross value	Expected credit losses	Recognised value ¹	Risk-weighted exposure value	Capital requirement
Credit provision										
Lending to municipalities and municipal companies ²	408,235.9	-17.8	408,218.1	-	-	355,738.5	-28.5	355,710.0	-	-
- Risk category 1	251,135.3	-10.6	251,124.7	-	-	230,784.0	-17.4	230,766.6	-	-
- Risk category 2	136,210.9	-6.3	136,204.6	-	-	113,889.9	-10.1	113,879.8	-	-
- Risk category 3	13,253.9	-0.5	13,253.4	-	-	4,853.6	-0.4	4,853.2	-	-
- Risk category 4	7,635.8	-0.4	7,635.4	-	-	6,211.0	-0.6	6,210.4	-	-
Investments										
Sovereign bonds eligible as collateral	17,686.8	-0.5	17,686.3	-	-	39,232.4	-2.1	39,230.3	-	-
- AAA	14,900.9	-0.5	14,900.4	-	-	37,071.9	-2.1	37,069.8	-	-
- AA	2,785.9	-	2,785.9	-	-	1,254.0	-	1,254.0	-	-
- A	-	-	-	-	-	906.5	-	906.5	-	-
Cash and balances with central banks	811.1	0.0	811.1	-	-	-	-	-	-	-
- AAA	811.1	0.0	811.1	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	7,722.6	-	7,722.6	-	-	7,457.8	-	7,457.8	-	-
- AAA	6,308.3	-	6,308.3	-	-	5,064.5	-	5,064.5	-	-
- AA	1,414.3	-	1,414.3	-	-	2,393.3	-	2,393.3	-	-
Lending to credit institutions	21,936.2	-0.5	21,935.7	2,049.0	163.9	1,871.4	-0.7	1,870.7	374.1	29.9
- AAA	20,042.6	-	20,042.6	1,670.4	133.6	-	-	-	-	-
- AA	1,893.6	-0.5	1,893.1	378.6	30.3	1,871.4	-0.7	1,870.7	374.1	29.9
Derivatives										
Derivatives	11,967.0	-	11,967.0	-	-	11,333.2	-	11,333.2	-	-
- AA	4,451.7	-	4,451.7	-	-	4,269.5	-	4,269.5	-	-
- A	6,742.3	-	6,742.3	-	-	6,311.1	-	6,311.1	-	-
- BBB	773.0	-	773.0	-	-	752.6	-	752.6	-	-
Other assets										
Other assets	2,980.5	-	2,980.5	643.9	51.5	1,609.0	-	1,609.0	360.4	28.8
Off-balance sheet items										
Committed loans ²	976.6	-0.1	976.5	-	-	1,213.6	-0.1	1,213.5	-	-
Committed, undisbursed loans ²	1,618.8	-	1,618.8	-	-	2,144.4	0.0	2,144.4	-	-
Total (including off-balance sheet items)	473,935.5	-18.9	473,916.6	2,692.9	215.4	420,600.3	-31.4	420,568.9	734.5	58.7

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 68.

2) Guaranteed by local government undertaking For the definition of risk categories 1-4, see section Risk in credit provision on page 67.

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.

*Note 2, continued**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 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 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 more than 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 defaults, neither of a material or technical nature. For calculating the probability of default, the Company instead applies S&P Global Ratings' database, which is well-suited to low-default financial institutions.

The probability of default used to calculate expected credit losses is a weighted average of three different macro scenarios (normal, medium-low and medium-high economic situations). The data on which historical default figures are based have been collected from S&P Global Ratings and then calibrated for each individual scenario. The scenario involving a normal economic situation is based on observed values for the macro-economic factors included in the model, while the scenario involving a medium-low economic situation is based on a historically low percentile for the values for the macroeconomic factors and vice versa for the scenario involving a medium-high economic situation.

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 highest and lowest ratings noted. 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	2020, %	2021, %	2022, %	2023, %
Forecast input data					
GDP trend Sweden	Principal scenario	1.0	1.5	1.8	1.8
	Positive scenario	4.5	4.5	4.5	4.5
	Negative scenario	-0.4	-0.4	-0.4	-0.4
Change in unemployment Sweden	Principal scenario	0.4	0.2	-0.2	-0.3
	Positive scenario	-13.4	-13.4	-13.4	-13.4
	Negative scenario	26.6	26.6	26.6	26.6
Change in global energy index	Principal scenario	-3.1	1.9	1.9	1.9
	Positive scenario	27.9	27.9	27.9	27.9
	Negative scenario	-12.9	-12.9	-12.9	-12.9
Change in global non-energy index	Principal scenario	0.1	1.7	1.7	1.7
	Positive scenario	17.8	17.8	17.8	17.8
	Negative scenario	-8.5	-8.5	-8.5	-8.5
Historical input data					
Historical change in credit rating (-1 year)	Principal scenario	0.0	-	-	-
	Positive scenario	1.0	-	-	-
	Negative scenario	99.0	-	-	-
Historical change in OMX index (-1 year)	Principal scenario	26.0	-	-	-
	Positive scenario	42.9	-	-	-
	Negative scenario	-23.5	-	-	-
Historical change in S&P 500 index (-1 year)	Principal scenario	28.5	-	-	-
	Positive scenario	26.4	-	-	-
	Negative scenario	-6.8	-	-	-

Sensitivity analysis

The sensitivity analysis for the macroeconomic factors can be found in the table below and applies only to the Company's lending portfolio. The table shows how, under stress, ECL is affected by the macroeconomic factors given the Company's present weighting of its scenarios (Basic scenario 70 percent, Positive scenario 10 percent, Negative scenario 20 percent).

Macro scenarios	Change in ECL, %
GDP: -3%; Unemployment: +3%; Energy index: -10%; Non-energy index: -10% OMX Index: -15%; Downgrades: +3%	59.0
GDP: -2%; Unemployment: +2%; Energy index: -5%; Non-energy index: -5% OMX Index: -10%; Downgrades: +2%	28.0
GDP: -1%; Unemployment: +1%; Energy index: -1%; Non-energy index: -1% OMX Index: -5%; Downgrades: +1%	24.0
GDP: 0%; Unemployment: 0%; Energy index: 0%; Non-energy index: 0% OMX Index: 0%; Downgrades: 0%	3.0

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 are included in 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 decreased by SEK 12.6 million, from SEK 31.4 million to SEK 18.9 million, distributed as follows.

Probability of default (PD)

The change in the probability of default is attributable to four factors: adjustment in the method of the ECL model, adjustment in the weighting of scenarios, changes in macroeconomic factors (see table below), and a new historical probability from S&P Global Ratings.

In 2018, a linear method was applied to interpolate the Company's internal risk value with external credit ratings. As of 2019, the interpolation was instead switched to being exponential. The weighting of different scenarios has been adjusted from

Note 2, continued

Basic scenario 85 percent, Positive scenario 5 percent and Negative scenario 10 percent to Basic scenario 70 percent, Positive scenario 10 percent and Negative scenario 20 percent.

The macroeconomic factors are updated in accordance with new forecasts from the National Institute of Economic Research and the World Bank, while historical probability has been obtained from S&P Global Ratings.

Macroeconomic factors	2019, %	2018, %
GDP growth	1.1	1.3
Change in unemployment (% of total labour force)	0.5	1.6
OMX Index	26.0	10.0
S&P Index	28.5	-5.0
Energy index	-14.6	1.4
Non-energy index	-4.7	1.1

The table alongside shows how expected credit losses are affected by model components.

The change in credit loss provisions for the period is shown in the table below. All provisions relate to stage 1 and have been constant throughout the year. Kommuninvest has never suffered any confirmed credit losses. For more information on recognised gross value in the tables below, see the table on Credit risk exposures on page 64.

Change in provisions for credit losses						
2019	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changes in model	Closing balance
Cash and balances at central banks	-	0.0	-	-	-	0.0
Sovereign bonds eligible as collateral	-2.1	-89.4	89.5	1.5	-	-0.5
Lending to credit institutions	-0.7	0.0	0.0	0.3	-	-0.4
Lending	-28.5	-2.9	4.9	18.6	-10.0	-17.9
Provisions for off-balance sheet items	-0.1	-2.6	3.0	-0.3	-	0.0
Total	-31.4	-94.9	97.4	20.1	-10.0	-18.8

Change in provisions for credit losses						
2018	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changes in model	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
Total	-7.2	-48.6	49.6	-25.2	-	-31.4

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

Change	Effect on ECL, %
Switch to exponential adjustment	-35.0
Macro factor update	1.0
Change in weighting of scenarios	2.0
New S&P PD	-3.7

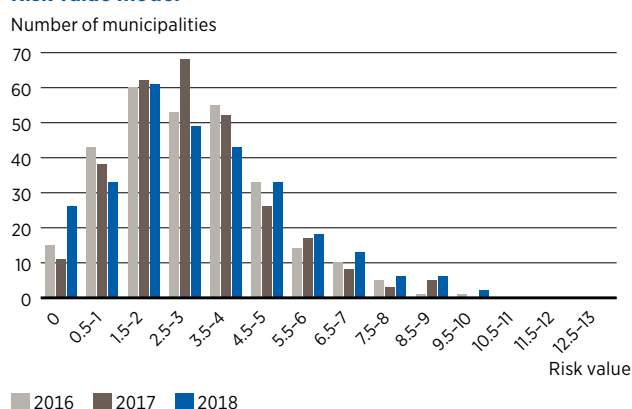
Loss given default (LGD)

During the period, no change was made in LGD.

Exposure at default (EAD)

In 2019, the Company's assets not valued at fair value increased from a total SEK 286.1 billion to SEK 288.5 billion. The liquidity reserve decreased by SEK 18.6 billion, while the lending portfolio increased by SEK 21.5 billion. In total, assets corresponding to SEK 2,282.7 billion were initiated during the year and assets of SEK 2,280.0 billion matured. The increased credit risk exposure (given all other variables remaining constant) means that expected credit losses increased by 7 percent.

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.

Note 2, continued

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 (1.8) months.

The longest remaining maturity of an individual security was 30.1 (34.9) 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	2019	2018
Sweden	34,725.3	37,097.1
Supranationals	1,978.8	3,291.1
Finland	3,009.7	3,181.0
Germany	4,936.0	1,773.4
Denmark	807.9	1,174.1
United Kingdom	820.0	1,135.6
Canada	-	906.5
USA	1,878.0	-
Total	48,155.7	48,558.8

Investments by rating	2019	2018
AAA	42,062.3	42,134.3
AA	6,093.4	5,518.0
A	-	906.5
Total	48,155.7	48,558.8

Investments by issuer category	2019	2018
National governments or central banks	18,497.3	38,323.8
Credit institute	27,679.7	6,037.3
<i>of which, subsidised lenders</i>	<i>5,744.0</i>	<i>4,166.6</i>
<i>of which, investment repos</i>	<i>20,042.6</i>	-
<i>of which, bank balances</i>	<i>1,893.1</i>	<i>1,870.7</i>
Multilateral development banks	1,978.7	3,291.2
Regional or local governments and authorities	-	906.5
Total	48,155.7	48,558.8

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 215.4 (58.7) 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 new EMIR regulatory framework, which requires the replacement of variation margins for OTC derivatives, the Company has, since March 2017, introduced 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 3,025.2 (1,770.6) million.

Derivatives exposure	2019	2018
Recognised value ¹	11,967.0	11,333.2
Amount netted in the balance sheet	5,586.6	1,955.2
Gross market value²	17,553.6	13,288.4
Netting gains	-3,679.0	-4,273.3
Current replacement cost³	13,874.6	9,015.1
Collateral received	-12,974.0	-8,571.1
Net per counterparty incl. deductions for collateral	900.6	444.0
Initial margin pledged	2,099.4	1,279.7
Surplus collateral pledged	25.2	46.9
Total counterparty risk	3,025.2	1,770.6

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

Note 2, continued

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 below.

Capital requirements for counterparty risk	2019	2018
Current replacement cost ¹	13,874.6	9,015.1
Potential future exposure	7,447.3	6,732.8
Exposure value	21,321.9	15,747.9
Risk-weighted exposure value ²	0.0	0.0
Capital requirement	0.0	0.0

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

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

CVA risk

Creditworthiness adjustment or Credit Valuation Adjustment (CVA) is a price adjustment applied to derivatives that takes the counterparty's creditworthiness into account. Accordingly, CVA measures the risk that the market value of derivative contracts will decrease as the creditworthiness of the counterparty deteriorates. At the end of the year, recognised CVA amounted to SEK 5.0 million.

The Company has not previously made any such adjustment in its income statement with reference to the members' guarantee for the counterparty risk in the derivative exposures. Starting with the financial statements as per 31 December 2019, the Company adjusts the value of the derivative contracts for counterparty risk.

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 98.4 (101.9) million.

Concentration risk

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

Kommuninvest's assignment, to provide credit to the local government sector, entails concentrations in the provision of credit. Concentrations in risk in credit provision are restricted by limits on lending to individual customers. Since all lending is covered by a guarantee from one or more members, the assessment is made that no capital requirement need be recognised for concentration risk in the provision of credit.

Concentrations towards counterparties 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 1" 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 1.

When the calculations were performed as per 31 December 2019, the capital requirement under Pillar 11 for concentration risks in the liquidity reserve was 16.6 (16.6) percent of the capital requirement for credit risk under Pillar 1, that is to say, SEK 215.4 (58.8) million.

Market risk

Market risk is defined as the risk of loss (negative change in financial value) or a negative effect on the Company's income as a result of 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 while also hedging the market risks that can arise due to being present in different markets. The market risks are divided into interest rate risk, foreign exchange risk, credit market risk, other price risks and liquidation risk.

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

Interest rate risk

Interest rate risk is defined as the risk of loss (negative change in financial value) or a negative effect on the Company's income as a result of changes in interest rates. 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. This risk includes earnings risks, meaning the risk of losses resulting from revenues or expenses differing in relation to the business plan and forecasts.

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Note 2, continued

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					
2019	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	Total
Assets							
Cash and balances with central bank	811.1	-	-	-	-	-	811.1
Sovereign bonds eligible as collateral	14,983.2	2,616.1	-	-	-	-	17,599.3
Lending to credit institutions	21,935.7	-	-	-	-	-	21,935.7
Bonds and other interest-bearing securities	1,006.5	2,482.9	4,122.4	-	-	-	7,611.8
Lending	223,775.8	26,611.5	119,497.6	34,411.0	2,215.3	-	406,511.2
Derivative investments	14,041.3	-9,782.9	-4,258.4	-	-	-	-
Derivative lending	171,189.4	-15,376.5	-119,647.4	-34,191.9	-1,973.6	-	-
Other assets	708.2	-	-	-	-	2,272.3	2,980.5
Total assets	448,451.2	6,551.1	-285.8	219.1	241.7	2,272.3	457,449.6
Liabilities and equity							
Liabilities to credit institutions	3,963.8	-	-	-	-	-	3,963.8
Securities issued	39,173.2	88,147.2	268,982.6	49,192.5	1,250.0	-	446,745.5
Derivative funding	378,460.7	-73,768.1	-268,627.6	-48,842.5	-1,000.0	-	-13,777.5
Other liabilities	7,981.4	-	-	-	-	69.1	8,050.5
Subordinated liabilities	1,000.1	-	-	-	-	-	1,000.1
Equity	-	-	-	-	-	7,994.7	7,994.7
Total liabilities and equity	430,579.2	14,379.1	355.0	350.0	250.0	8,063.8	453,977.1
Difference, assets and liabilities.	17,872.0	-7,828.0	-640.8	-130.9	-8.3	-5,791.5	3,472.5

Periods of fixed interest		Nominal amount					
2018	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	Total
Assets							
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
Total assets	397,318.9	4,679.9	1,574.0	-113.1	241.7	288.9	403,990.3
Liabilities and equity							
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
Total liabilities and equity	371,976.0	19,607.7	3,942.0	-	250.0	8,318.6	404,094.3
Difference, assets and liabilities.	25,342.9	-14,927.8	-2,368.0	-113.1	-8.3	-8,029.7	-104.0

Sensitivity analysis of financial value

According to a fixed limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 30 (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 (50) million over a period of at most five consecutive business days.

At year-end, the exposure (throughout the portfolio) amounted to a negative SEK 14.1 (positive 9.3) 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.

Note 2, continued

If only transactions valued at fair value are taken into account, the result would change by SEK 232.2 (231.3) million given a one percentage point parallel shift (upwards) in all market interest rates.

Sensitivity analysis of the Company's net interest income

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

The Company has good matching of cash flows between assets and liabilities. The only exceptions are assets financed by 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 182 (229) 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 (115) million over a one-year period.

Capital requirement for interest rate risk

The capital requirement for interest rate risk under Pillar 11 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 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 11, a capital requirement for interest rate risk of SEK 67.4 (45.0) million has been entered.

Foreign exchange risk

Currency risk refers to the risk of a negative effect on the Company's income as a result of exchange rate fluctuations. Foreign exchange risk arises if assets and liabilities denominated in a specific currency in the balance sheet are mismatched in terms of size. The Company hedges all known future flows by means of derivatives. However, foreign exchange risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK. The 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 11 is calculated by multiplying the exposure by the foreign exchange fluctuations over the year. In 2019, 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.

Assets and liabilities by currency			Recognised value					
2019	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
Cash and balances with central bank	811.1	-	-	-	-	-	-	811.1
Sovereign bonds eligible as collateral	15,209.1	-	2,474.6	-	-	-	2.6	17,686.3
Lending to credit institutions	21,115.7	31.3	788.7	0.0	0.0	0.0	-	21,935.7
Bonds and other interest-bearing securities	1,578.2	-	6,114.5	-	-	-	29.9	7,722.6
Lending	406,912.4	-	-	-	-	-	1,305.7	408,218.1
Derivatives	-122,417.3	816.8	119,888.4	3,058.8	3,293.1	4,317.6	3,009.6	11,967.0
Other assets	484.4	-	2,496.1	-	-	-	-	2,980.5
Total assets	323,693.6	848.1	131,762.3	3,058.8	3,293.1	4,317.6	4,347.8	471,321.3
Liabilities and equity								
Liabilities to credit institutions	3,435.2	587.7	-	-	-	-	4.8	4,027.7
Securities issued	264,972.9	261.3	159,157.0	7,378.8	4,134.2	8,523.8	2,335.0	446,763.0
Derivative liabilities	43,266.3	-0.6	-32,300.7	-4,320.0	-841.1	-4,206.2	1,886.8	3,484.5
Other liabilities	3,145.2	-	4,906.1	-	-	0.0	-	8,051.3
Subordinated liabilities	1,000.1	-	-	-	-	-	-	1,000.1
Equity	7,873.5	-	-	-	-	-	121.2	7,994.7
Total liabilities and equity	323,693.2	848.4	131,762.4	3,058.8	3,293.1	4,317.6	4,347.8	471,321.3
Difference, assets and liabilities.	0.4	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency								
	-	0.0	0.0	-	0.0	0.0	-	-

FINANCIAL STATEMENTS

Note 2, continued

Assets and liabilities by currency			Recognised value					
2018	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
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
Total assets	276,773.3	1,628.4	128,910.9	1,439.0	954.7	4,215.8	3,288.9	417,211.0
Liabilities and equity								
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
Total liabilities and equity	276,771.2	1,628.6	128,912.8	1,439.0	954.7	4,215.8	3,288.9	417,211.0
Difference, assets and liabilities	2.1	-0.2	-1.9	-	0.0	0.0	-	-
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	-0.2	-	0.0	0.0	-	-

Credit market risk

Credit market risk refers to the risk of loss or a negative effect on the Company's income as a result of changes in basis or credit spreads. 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.

The Company restricts the credit market risk through good maturity matching between assets (loans and investments) and liabilities (funding and shareholders' equity). Shown below is the Company's sensitivity to general changes in market credit spreads corresponding to a basis point parallel shift (upwards).

Sensitivity to credit market risk	2019	2018
Investments, fair value option	-1.8	-1.1
Lending	-26.7	-23.8
Funding	25.3	26.0
Total	-3.2	1.1

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 basis swap movements are simulated using mathematical models, with a certain degree of probability, based on market data from various, selected periods of time.

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

In the calculations performed as per 31 December 2019, the total capital requirement for credit market risk amounted to SEK 1,766.4 (1,530.0) million.

Other price risks

Other price risks refers to the risk that a change in the pricing situation of underlying assets and indexes, such as shares or share indexes, will lead to a loss or negative effect on the Company's income. The Company uses derivatives to hedge price risks with regard to underlying assets and indexes. This means that no other price risks remain.

Liquidation risk

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

Business risk and strategic risk

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

Note 2, continued

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.

Capital requirements for business risk and strategic risk

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

Liquidity and financing risk

Liquidity risk refers to the risk that it will not be possible to meet payment obligations on maturity.

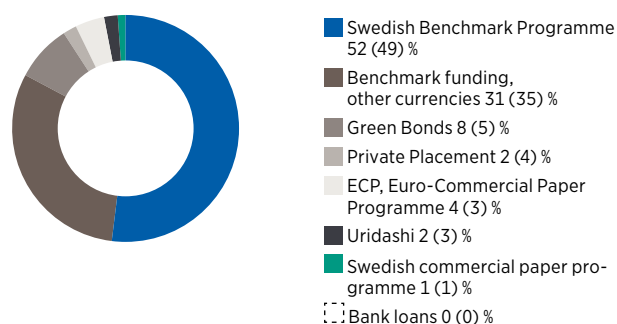
The short liquidity risk corresponds to risks in day-to-day liquidity management where unforeseen events could make it difficult for the Company to meet its obligations. This risk is restricted by holding a liquidity reserve with highly liquid assets. Short-term liquidity risk is further limited by the 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.

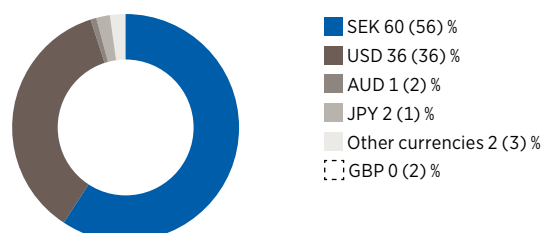
The Company's method for managing structural liquidity risk (good maturity matching) represents a change from the previous period when the Company generally sought longer maturities on liabilities than assets.

Total funding by type of instrument

2019 (2018)

**Total funding by currency**

2019 (2018)

**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.

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 and for deviations over time to be zero. The graph below illustrates the balance sheet maturity profile, indicating good matching between assets and liabilities.

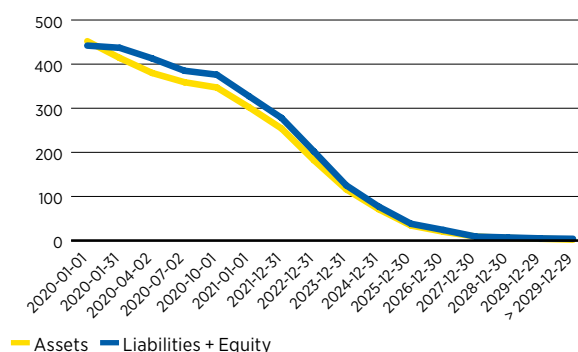
The average maturity of the Company's outstanding funding amounted to 2.5 (2.3) years at the end of the year, if the earliest possible cancellation date is used in the calculation. In connection with cancellable funding, the investor has the right, under certain conditions, to request premature repayment of lent funds.

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

Maturity profile, balance sheet

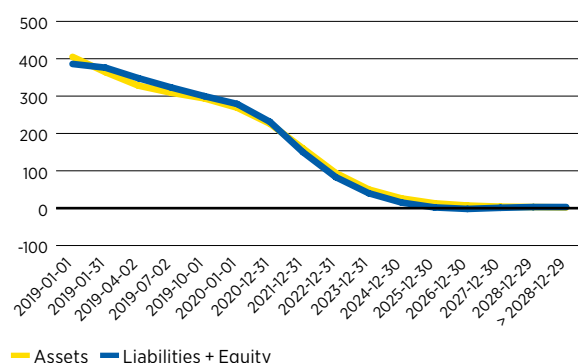
31 December 2019

SEK bn

**Maturity profile, balance sheet**

31 December 2018

SEK bn



FINANCIAL STATEMENTS

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.

Contractual, non-discounted cash flows								Recognised value
2019	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity	Total	
Assets								
Cash and balances with central bank	811.1	-	-	-	-	-	811.1	811.1
Sovereign bonds eligible as collateral	-	15,022.3	2,680.6	-	-	-	17,702.9	17,686.3
Lending to credit institutions	-	21,935.7	-	-	-	-	21,935.7	21,935.7
Bonds and other interest-bearing securities	-	1,065.5	2,590.3	4,194.6	-	-	7,850.4	7,722.6
Lending	-	38,392.9	73,564.4	255,131.8	48,107.5	-	415,196.6	408,218.1
Derivatives	-	2,115.6	7,861.1	9,866.1	476.2	-	20,319.0	11,967.0
Other assets	-	2,980.5	-	-	-	-	2,980.5	2,980.5
Total assets	811.1	81,512.5	86,696.4	269,192.5	48,583.7	-	486,796.2	471,321.3
Liabilities and equity								
Liabilities to credit institutions	-	3,435.3	-0.1	586.7	-	-	4,021.9	4,027.7
Securities issued	-	31,199.4	93,683.1	279,805.6	51,440.6	-	456,128.7	446,763.0
Derivative liabilities	-	799.7	449.4	2,078.7	236.7	-	3,564.5	3,484.5
Other liabilities	-	8,050.5	-	-	-	-	8,050.5	8,050.5
Subordinated liabilities	-	4.5	14.3	85.2	1,456.2	-	1,560.2	1,000.1
Equity	-	-	-	-	-	7,994.6	7,994.6	7,994.6
Total liabilities and equity	-	43,489.4	94,146.7	282,556.2	53,133.5	7,994.6	481,320.4	471,320.5
Total difference	811.1	38,023.1	-7,450.3	-13,363.7	-4,549.8	-7,994.6	5,475.8	0.8
Committed loans	976.5	-	-	-	-	-	976.5	-
Committed, undisbursed loans ¹	-	-1,026.5	-521.2	347.3	1,259.3	-	58.9	-

Contractual, non-discounted cash flows								Recognised value
2018	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity	Total	
Assets								
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
Total assets	-	88,081.0	59,400.0	259,199.1	31,242.8	-	437,922.9	417,211.0
Liabilities and equity								
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
Total liabilities and equity	-	51,897.3	65,511.6	285,426.4	24,211.3	8,248.6	435,295.2	417,211.0
Total difference	-	36,183.7	-6,111.6	-26,227.3	7,031.5	-8,248.6	2,627.7	-
Committed loans	1,213.5	-	-	-	-	-	1,213.5	-
Committed, undisbursed loans ¹	-	-1,992.0	20.7	1,373.8	680.2	-	82.6	-

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 direct 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. 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 fundings 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 85 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 2019, was 416.5 (247.5) percent, 824.8 (327.1) percent in USD and 713.0 (331.3) 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. In 2018, a statutory quota of 100 percent was introduced and the Company has a limit set by the Board of Directors since 2016 requiring that the NSFR not fall below 110 percent. At year-end, the NSFR was 139.4 (143.2) percent.

Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations	2019			2018		
	Total	USD	SEK	Total	USD	SEK
Extremely highly liquid assets (Level 1), excluding covered bonds	25,245.7	917.9	16,680.9	45,238.3	993.5	35,820.8
Extremely highly liquid covered bonds (Level 1)	15,444.5	-	15,444.5	-	-	-
Highly liquid assets (Level 2)	-	-	-	-	-	-
Liquidity buffer, SEK million	40,690.2	917.9	32,125.4	45,238.3	993.5	35,820.8
Cash outflows, SEK million	17,918.3	445.2	11,505.7	21,461.6	1,215.1	12,742.0
Cash inflows ¹ , SEK million	8,148.3	333.9	7,000.0	3,183.0	911.3	1,929.9
Net cash outflow, SEK million	9,770.0	111.3	4,505.7	18,278.6	303.8	10,812.1
Liquidity coverage ratio (%)	416.5	824.8	713.0	247.5	327.1	331.3

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. Reviewing these indicators serves to inform the operations if the risk situation within Kommuninvest changes.

*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 the operating income over the past three years.

Kommuninvest's capital requirement under Pillar 1 for operational risks amounts to SEK 151.5 (152.7) 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. The Company deliberately applies relatively simple methods and techniques for measuring risk, capital requirements and risk appetite to reduce the risk of error. The Company conducts both forward-looking and historical analyses of all risk types. The internal capital assessment addresses negative scenarios to ensure that the impact on the Company is not greater than expected.

Capital adequacy – Group

Since January 1, 2014, capital adequacy has been calculated according to CRR¹. The capital buffers to be introduced under CRD IV² first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For the Group, only the capital conservation buffer of 2.5 percent and the countercyclical buffer apply, the size of which is based on the geographical distribution of the credit exposures.

On 31 December 2019, the countercyclical buffer requirement was 2.0 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.

Note 2, continued

Capital base	2019	2018
Capital Instruments ¹	7,000.0	6,889.9
Non-distributed retained earnings ²	618.2	628.6
Accumulated other comprehensive income and other reserves	21.1	12.0
Core Tier I capital before regulatory adjustments	7,639.3	7,530.5
Further value adjustments ³	-183.2	-177.5
Total regulatory adjustments to core Tier I capital	-183.2	-177.5
Total core Tier I capital	7,456.1	7,353.0
Tier I capital contributions	-	-
Total Tier I capital	7,456.1	7,353.0
Debenture loan ⁴	-	200.0
Total Tier II capital	-	200.0
Total capital	7,456.1	7,553.0

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.

2) Deductions have been made for the profit for the year of SEK 353.8 (718.1) million and the proposed dividend to the members of SEK 1.6 (-) per share, which exceeds the profit for the year.

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 debenture loan has been valid as supplementary capital under the transitional rules in CRR. As of 1 January 2019, the debenture loan is no longer valid as supplementary capital under the transitional rules.

Risk exposure amounts and minimum capital amounts	2019		2018	
Capital requirement, Pillar I	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	2,692.9	215.4	734.6	58.8
of which, institutional exposures	955.6	76.4	665.7	53.3
of which, corporate exposures	79.4	6.4	68.9	5.5
of which, exposures in the form of covered bonds	1,657.9	132.6	-	-
Operational risks, basic indicator method	1,893.8	151.5	1,909.2	152.7
Market risks	-	-	-	-
Credit valuation adjustment	1,230.3	98.4	1,273.4	101.9
Total risk exposure amount and minimum capital amount	5,817.0	465.3	3,917.2	313.4

Capital adequacy ratios	2019	2018
Core Tier I capital ratio	128.2 %	187.7 %
Tier I capital ratio	128.2 %	187.7 %
Total capital ratio	128.2 %	192.8 %

Buffer requirements	2019	2018
Capital conservation buffer	2.5 %	2.5 %
Countercyclical buffer	2.0 %	1.0 %
Total buffer requirements	4.5 %	3.5 %
Core Tier I capital available for use as buffer	120.2 %	179.7 %

Internally estimated capital requirements	2019	2018
Capital requirement, Pillar II		
Credit risk	165.0	133.5
Market risks	1,869.8	1,578.6
Other risk ¹	525.3	801.7
Total internally estimated capital requirement	2,560.1	2,513.8

1) Consists of capital requirements for the risk of excessively low 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 36–37.

Total assessed capital requirement	2019	2019	2018	2018
Capital requirement, Pillar I	465.3	8.0 %	313.4	8.0 %
Buffer requirement, Pillar I	263.6	4.5 %	134.7	3.4 %
Capital requirement, Pillar II	2,560.1	44.0 %	2,513.8	64.2 %
Total assessed capital requirement	3,289.0	56.5 %	2,961.9	75.6 %

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 derivative 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.

	2019	2018
Total assets	471,321.3	417,211.0
Less asset amounts deducted to determine the core Tier I capital	-183.2	-177.5
Less derivatives according to the balance sheet	-11,967.0	-11,333.2
Plus derivatives exposure	9,363.3	15,747.8
Plus possible change in risk in connection with repo transactions	28.4	-
Plus off-balance sheet commitments	1,297.7	1,678.9
Total exposure	469,860.5	423,127.0
Tier 1 capital, calculated applying transitional rules, see the section Capital adequacy	7,456.1	7,353.0
Leverage ratio	1.59 %	1.74 %

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

Note 2, continued

External monitoring**End of IBOR**

At present, the most important reference rates for Kommuninvest, bar none, are Stibor 3m and USD Libor 3m. As a consequence of the euro being approved as a strategic funding market, Euribor and its potential replacement will also become increasingly important for the Company.

Since 17 October 2018, the Swedish reference rate, Stibor, has been included in the EU's list of critical reference values, the so-called Benchmark Regulation. Stibor is currently being adapted to comply with the Benchmark Regulation and an application for a permit must be submitted to Finansinspektionen by 31 December 2021.

Work to develop alternatives to Stibor commenced late compared with other currencies. In December 2018, on the initiative of the Swedish Bankers' Association, a working group was commissioned to submit, in the fourth quarter of 2019, a recommendation regarding reference rates that could act as a complement and/or alternative to Stibor. However, this process has taken longer than planned and the Swedish Bankers' Association is expected to publish its recommendations during the first quarter of 2020. Representatives from the banks currently involved in the development of Stibor participate in the working group. Accordingly, it is unclear at the time of writing whether the alternative reference rate will replace Stibor or exist alongside it.

In the US, at the initiative of the Federal Reserve, an Alternative Reference Rates Committee (ARRC) was appointed as early as in 2014, to find a reference rate suitable as a replacement for Libor. In June 2017, the Secured Overnight Financing Rate (SOFR) was chosen as an alternative to Libor, an interest rate that is based entirely on actual repo market transactions. SOFR has been published in early April 2018 and a market for swaps and futures already exists.

In connection with critical reference rates ceasing to apply, the Company has appointed a group. The purpose of the group is to assess what measures need to be taken prior to the cessation or change of system-critical reference rates. In the short term, the phasing out of USD Libor and the transition to the new reference rate Secured Overnight Financing Rate (SOFR) needs to be addressed as almost half of the Company's funding is currently raised in USD, with associated interest rate and currency swaps referring to Libor 3m. This requires, among other things, ensuring the adaptation of the Company's business system to enable the management of SOFR-linked contracts.

Brexit

The UK left the EU on 1 February 2020. Prior to the UK's exit, however, the parties agreed that a transitional period would apply until 31 December 2020, meaning that the old rules will continue to apply while new agreements are negotiated. This postpones the risk of the UK leaving without an agreement.

For Kommuninvest, this risk lies in UK financial institutions not being able to act as derivative counterparties in the event of a withdrawal without an agreement. This could entail higher concentration risks and lower prices in derivative transactions. The Company has managed this risk by approving new counterparties within the EU and negotiating new ISDA agreements with them.

Another risk for Kommuninvest has been that it is no longer able to clear derivatives that are subject to clearing obligations under EMIR, as the Company, through HSBC and SEB, uses London Clearing House Limited (LCH) of the UK. In order to prevent the risk of disruptions in terms of clearing derivatives, the European Securities and Markets Authority (ESMA) has decided that LCH should be allowed to provide its services as a clearing house within the EU, even following a Brexit without an agreement. The company has also managed this risk by approving another clearing house, Eurex Clearing AG in Germany.

Kommuninvest's assessment is that the UK's exit from the EU will not have a significant impact on Kommuninvest's net profit, position, disclosures, capital requirements, capital base or large exposures.

Note 3 Net interest income

Group	2019	2018
Interest revenues		
Interest revenues calculated according to effective interest method	1,198.9	494.0
<i>of which, lending</i>	1,102.6	456.4
<i>of which, interest-bearing securities</i>	96.3	37.6
Other interest revenues	24.6	11.3
Total	1,223.5	505.3
Of which: interest revenues from financial items not measured at fair value through the income statement	692.6	231.1
Interest expenses		
Interest expenses calculated according to effective interest method	-241.0	436.7
<i>of which, liabilities to credit institutions</i>	-2.7	-15.3
<i>of which, securities issued</i>	-230.4	681.0
<i>of which lending, negative lending rate</i>	-7.9	-229.0
Other operating expenses	-171.5	-69.5
Total	-412.5	367.2
Of which: interest expenses from financial items not measured at fair value through the income statement	-1,149.4	-549.9
Total net interest income	811.0	872.5

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 49.

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	2019	2018
Interest expenses		
Liabilities to credit institutions	-0.1	-0.2
Interest expenses, subordinated loan	-16.3	-12.7
Other	-	0.0
Total	-16.4	-12.9
Total net interest income	-16.4	-12.9

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

Note 4 Commission expenses

Group	2019	2018
Payment agency commissions	7.4	4.9
Brokerage for securities	3.6	3.1
Other commissions	0.3	0.2
Total	11.3	8.2

Note 5 Net result of financial transactions

Group	2019	2018
Realised profit	-7.1	-2.5
<i>of which, interest-bearing securities</i>	-	-1.2
<i>of which, other financial instruments</i>	-7.1	-1.3
Unrealised changes in market value	-193.9	164.4
Exchange rate changes	-0.5	-0.5
Total	-201.5	161.4

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	2019	2018
Financial assets at fair value through the income statement	-519.6	-106.2
<i>of which, compulsory</i>	-344.9	412.9
<i>of which, fair value option</i>	-174.7	-519.1
Financial assets measured at amortised cost	3.3	0.5
Financial liabilities at fair value through the income statement	358.4	244.9
<i>of which, held for trade</i>	3,872.8	-1,727.1
<i>of which, fair value option</i>	-3,514.4	1,972.0
Change in fair value of derivatives that are hedging instruments in fair value hedge	-790.8	-362.5
Change in fair value of derivatives that are hedging instruments in a fair value hedge, portfolio	0.7	-
Change in fair value on hedged item with regard to hedged risk in fair value hedging	747.7	385.2
Change in fair value on hedged item with regard to hedged risk in fair value hedging, portfolio	-0.7	-
Exchange rate changes	-0.5	-0.5
Total	-201.5	161.4

Results (net)

Net result of available-for-sale financial assets recognised in other comprehensive income	-	-
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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 amortised cost amounts to SEK 3.3 (0.5) million. This amount includes compensation for the interest spread of SEK 3.3 (0.6) million, pertaining to prematurely discontinued lending. In all instances, discontinuation has been on the customer's initiative. No financial assets were sold during the year.

Note 6 Other operating income

Group	2019	2018
Capital gain on divestments of tangible assets	0.1	-
Revenue from contracts with customers	6.6	5.8
Other operating income	2.3	1.8
Total	9.0	7.6

All revenues from contracts with customers relate to revenues from a financial management service, K1 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 K1 Finans system are capitalised as an intangible asset and recognised under IAS 38 Intangible Assets, and current expenses attributable to K1 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.

Note 7 General administration expenses

Group

In TSEK	2019	2018
Payroll expenses		
Salaries and emoluments	77,339	73,924
Social security contributions	41,733	40,960
<i>of which, social security contributions and wage debt for social security contributions</i>	<i>24,131</i>	<i>23,473</i>
<i>of which, pension expenses</i>	<i>13,907</i>	<i>14,081</i>
<i>of which, special payroll tax on pension expenses</i>	<i>3,695</i>	<i>3,406</i>
Temporary/contract personnel	3,164	2,507
Education/training expenses	3,946	3,425
Other payroll expenses	3,473	3,179
Total payroll expenses	129,655	123,995
Other general administration expenses		
Travel expenses	5,567	5,159
IT expenses	20,437	19,257
Consultancy fees	22,953	20,067
Rating expenses	1,781	1,118
Market data	9,484	9,079
Rent and other expenses for premises	695	2,543
Property expenses	1,342	1,529
Annual Report and interim report	1,077	1,110
Resolution fee	27,434	69,052
Other expenses	26,444	20,662
Total other general administration expenses	117,214	149,576
Total	246,869	273,571

Kommuninvest Cooperative Society

	2019	2018
Salaries and emoluments, incl. social security contributions	2,555	2,486
Other expenses	16,233	15,041
Total	18,788	17,527

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 Kommuninvest employees in 2019. 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.

In TSEK	2019	2018
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	300	200
Anna Sandborgh, stepped down in April 2018	-	100
Åsa Zetterberg, stepped down in April 2018	-	100
Ulrika Gonzalez Hedqvist, employee representative, stepped down December 2019	-	-
Mattias Bokenblom, employee representative, newly elected March 2019	-	-
Total	2,350	2,450

Remuneration to the senior executives of Kommuninvest i Sverige AB

Remuneration for the President and CEO has been decided by the Board. For 2019, the President and CEO received TSEK 3,114 (3,129) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 971 (1,057) 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 2,119 (2,105) in basic salary for 2019. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 679 (602) 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 2019, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 5,845 (5,546). The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2019, 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 was composed of 15 (15) members, of whom 7 (8) were women, and 15 (15) deputies, of whom 7 (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. At the Meeting, 5 (1) members and 4 (0) deputies stepped down from the Board of Directors. Three former deputies were elected as ordinary members and two new ordinary members were elected. Seven new deputies were elected. For more information on the composition of the Board of Directors, see page 42.

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 301 (294) and the Vice Chairman a fixed fee of TSEK 201 (196).

Alongside the Chairman and Vice Chairman, two members of the Board of Directors form the Society's Working Commit-

Note 7, continued

tee and accordingly receive an annual fixed fee of TSEK 111 (109). These amounts apply on an annual basis and no variable remuneration is paid. Other ordinary members, 15 in number, will receive a fixed fee of TSEK 8.0 (7.8) and a variable fee of TSEK 4.7 (4.6) per meeting. Deputy board members receive a variable fee of TSEK 4.7 (4.6) per meeting. For telephone meetings, all members receive remuneration of TSEK 2.4 (2.3) per meeting in variable compensation.

Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, in TSEK	2019	2018
Anders Johansson, newly elected April 2019	23.5	-
Anna-Britta Åkerlind	43.2	36.6
Ann-Marie Johansson	32.7	27.4
Bo Rudolfsson	43.2	36.6
Britta Flinkfeldt	45.4	35.2
Camilla Egberth, stepped down April 2019	4.6	36.6
Carina Sándor	31.4	35.1
Catharina Fredriksson, newly elected April 2019	28.2	-
Catharina Winberg	37.4	36.6
Christina Johansson	37.4	27.5
Daniel Edström, stepped down April 2019	9.2	13.7
Elizabeth Peltola, newly elected April 2019	14.1	-
Ewa-May Karlsson	110.5	107.7
Fredrik Larsson	31.5	44.3
Gertowe Thörnros, stepped down April 2019	9.2	36.6
Göran Färm	299.4 ¹	291.9 ¹
Hans Lindberg	28.0	18.3
Jeanette Wäppling, newly elected April 2019	32.9	-

Remuneration to the Board of Directors of the Kommuninvest Cooperative Society, in TSEK	2019	2018
Jonas Ransgård	26.7	49.0
Kenneth Handberg, newly elected April 2019	10.5	-
Lilly Bäcklund	36.0	45.7
Linda Frohm	199.6 ¹	194.6 ¹
Bert Öhlund, stepped down April 2018	-	7.0
Margreth Johnsson, stepped down April 2019	30.4	107.7
Maria Alfredsson, stepped down April 2019	6.8	14.4
Maria Alfredsson, Fäth elected April 2019	18.8	-
Maria Liljedahl, newly elected April 2019	43.4	-
Martin Kirchberg, newly elected April 2019	32.9	-
Mohamad Hassan	32.8	13.7
Niclas Nilsson	40.7	39.8
Niklas Karlsson, stepped down April 2019	6.8	39.8
Peter Hemlin	28.1	27.4
Peter Kärnström	37.4	36.6
Pierre Sjöström	89.1	36.6
Roger Persson, stepped down April 2019	9.2	36.6
Roland Åkesson, stepped down April 2019	11.4	35.2
Teddy Nilsson, newly elected April 2019	37.6	-
Therese Borg, stepped down April 2019	2.2	16.9
Ulf Olsson	37.4	36.6
Örjan Mossberg	45.4	44.4
Total	1,644.3	1,566.1

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

Wages and remunerations

2019, in TSEK	Basic salary / Board fee	Other benefits	Pension expense	Total
Board of Directors	2,350	-	-	2,350
President and CEO	3,114	90	971	4,175
Deputy CEO	2,119	-	679	2,798
Others in Company management	5,845	17	1,727	7,589
Other salaried employees	61,881	-	10,530	72,411
Total	75,309	107	13,907	89,323

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
Total	71,981	102	14,081	86,164

Group

Average number of employees	2019	2018
Average number of employees during the year	101	97
of whom, women	42	41

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

Note 7, continued

Group

Emoluments and expenses for the auditors, TSEK, KPMG AB	2019	2018
Auditing engagement	780	1,010
Other audit services	970	969
Tax consultancy	-	-
Other Services	481	323

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Emoluments and compensation for expenses for the auditors, TSEK, KPMG AB	2019	2018
Auditing engagement	47	70
Other audit services	-	-
Tax consultancy	-	-
Other Services	433	275

Leasing

Leasing 2019 in accordance with IFRS 16

On 1 January 2019, IFRS 16 Leases came into effect, replacing IAS 17 Leases. The greatest difference between the accounting principles is that, under IFRS 16, leases are not divided into financial and operating leases – instead, all leases are reported in the balance sheet as rights of use assets and leasing debts. Another difference is that, expenses are now reported in the income statement distributed as a component of net interest income and as a depreciation component instead of under administrative expenses. Leases for which the underlying assets are deemed to be of low value may, under a relief rule, be reported directly in the income statement.

Leases recognised in the balance sheet relate to leases of smaller premises and printers. Kommuninvest is not a lessor.

Future leasing fees	2019
Within 1 year	1.8
Between 1 and 5 years	0.6
Total	2.5

Leasing expenses for the period	2019
Interest expenses on lease debt	0.0
Depreciation	0.4
of which, equipment	0.1
of which, buildings	0.3
Leasing expenses for low-value assets	1.7
Other leasing expenses	0.1
Total	2.2

Rights of use assets	2019
Equipment	0.2
Land and buildings	0.5
Total	0.7

Leasing in 2018 in accordance with IAS 17

In 2018, operating lease expenses amounted to TSEK 5,926. Future lease payments for non-cancellable operating leases in accordance with IAS 17, 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, TSEK	2018
Within one year	2,064
Between one and five years	6,258
Total	8,322

For more information on leasing, see Note 31.

Note 8 Other operating expenses

Group	2019	2018
Insurance expenses	1.4	1.3
Communication and information	6.5	2.8
Other operating expenses	0.0	0.4
Total	7.9	4.5

Note 9 Net credit losses

Group	2019	2018
Cash and balances at central banks	0.0	-
Sovereign bonds eligible as collateral	1.6	-1.7
Lending to credit institutions	0.2	-0.6
Lending	10.7	-21.9
Bonds and other interest-bearing securities	-	0.0
Off-balance sheet items	0.1	-0.1
Total	12.6	-24.3

Although Kommuninvest recognises expected credit losses in accordance with IFRS 9, Kommuninvest has not had any realised loan losses. For 2019, credit losses amounted to a positive amount, mainly as a result of changes in credit risk. For information on the calculation model, provisions and credit loss fluctuations, see Note 2.

Note 10 Tax

Group

Recognised in income statement	2019	2018
Current tax expense	3.0	1.4
Deferred tax expense (+) / tax income (-) attributable to temporary differences	-0.1	0.0
Adjustment of taxes attributable to previous years	0.0	2.3
Total tax expense recognised	2.9	3.7

Reconciliation of effective tax	2019	2019	2018	2018
Profit before tax	-	356.7	-	721.8
Tax according to prevailing tax rate	21.4%	76.3	22.0%	158.8
Tax effect of deductible distribution	-21.3%	-76.1	-21.9%	-157.9
Tax effect of dividend in excess of net profit	-	-	-	-
Non-deductible expenses	0.7%	2.7	0.1%	0.5
Tax attributable to previous years	0.0%	0.0	0.3 %	2.3
Recognised effective tax	0.8%	2.9	0.5%	3.7

Kommuninvest Cooperative Society

Recognised in income statement	2019	2018
Tax expense for the year	3.0	1.4
Adjustment of taxes attributable to previous years	0.0	1.0
Total tax expense recognised	3.0	2.4

Reconciliation of effective tax	2019	2019	2018	2018
Profit before tax	-	358.4	-	720.3
Tax according to prevailing tax rate	21.4%	76.7	22.0%	158.4
Tax effect of deductible distribution	-21.2%	-76.1	-21.9%	-157.9
Non-deductible expenses	0.7%	2.3	0.1%	0.9
Tax attributable to previous years	0.0%	0.0	0.1%	1.0
Recognised effective tax	0.8%	3.0	0.3 %	2.4

Note 11 Appropriation of surplus

The Board of Directors of the Kommuninvest Cooperative Society proposes that:	2019
The profit of SEK 360.7 million at the disposal of the Annual General Meeting of the Society be appropriated as follows:	
Interest of 1.75 percent on contribution capital is paid to members	121.1
Bonuses be distributed to members in proportion to each member's share of the total volume of business volume in 2019	234.3
To be carried forward	5.3
Total appropriated	360.7

For more information, see page 45.

Note 12 Sovereign bonds eligible as collateral

Group

	2019				2018			
	Recognised value			Fair value	Recognised value			Fair value
	Amortised cost	Fair value through the income statement	Total recognised value		Amortised cost	Fair value through the income statement	Total recognised value	
Sovereign bonds eligible as collateral								
- Swedish central government	13,511.2	1,389.2	14,900.4	14,900.9	33,201.6	3,868.2	37,069.8	37,072.4
- Foreign governments	-	2,785.9	2,785.9	2,785.9	-	2,160.5	2,160.5	2,160.5
Total	13,511.2	4,175.1	17,686.3	17,686.8	33,201.6	6,028.7	39,230.3	39,232.9
Positive difference of book values exceeding nominal values			87.0				166.7	
Negative difference of book values falling below nominal values			-				-9.5	
Total			87.0				157.2	

The decrease compared with 2018 is mainly due to a redistribution of liquidity from investments in Riksbank Certificates to repo transactions.

Note 13 Lending to credit institutions

Kommuninvest Cooperative Society

	2019	2018
Lending in SEK	11.9	18.7
Total	11.9	18.7

Note 14 Lending

Group

	2019				2018			
	Recognised value			Fair value	Recognised value			Fair value
	Amortised cost	Fair value through the income statement	Total recognised value		Amortised cost	Fair value through the income statement	Total recognised value	
Lending								
– municipalities and regions	120,642.9	63,335.4	183,978.3	184,100.0	106,619.6	46,415.0	153,034.6	152,997.1
– housing companies with municipal guarantees	98,309.6	46,628.6	144,938.2	144,938.9	95,114.9	36,720.3	131,835.2	131,824.3
– other companies with municipal guarantees	52,075.3	27,226.3	79,301.6	79,227.2	47,577.4	23,262.8	70,840.2	70,859.5
Total	271,027.8	137,190.3	408,218.1	408,266.1	249,311.9	106,398.1	355,710.0	355,680.9

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

	2019				2018			
	Recognised value			Fair value	Recognised value			Fair value
	Amortised cost	Fair value through the income statement	Total recognised value		Amortised cost	Fair value through the income statement	Total recognised value	
Bonds and other interest-bearing securities								
– Swedish mortgage finance institutions	–	–	–	–	–	–	–	–
– other foreign issuers	–	7,722.6	7,722.6	7,722.6	–	7,457.8	7,457.8	7,457.8
Total	–	7,722.6	7,722.6	7,722.6	–	7,457.8	7,457.8	7,457.8
Positive difference of book values exceeding nominal values				111.6			70.7	
Negative difference of book values falling below nominal values				–0.8			–18.6	
Total				110.8			52.1	

Note 16 Shares and participations in subsidiaries

Kommuninvest Cooperative Society

Companies	2019		2018	
	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
Total	7,100.0	70,999,720	7,100.0	70,999,720

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. As of 2019, Kommuninvest applies both transaction-matched hedging and portfolio hedging. Previously, only transaction-based hedging relationships were applied.

In the case of transaction-matched hedging, the critical terms – currency, due date, date of fixed-interest payments and the total nominal amount always agree between the hedging instrument and the hedged item. Accordingly, Kommuninvest expects sources of inefficiency during the validity of the hedging relationship to solely comprise changes in the value of the variable legs of the hedging instrument and, where applicable, changes in the currency basis spread.

Portfolio hedging is applied on some fixed-rate lending to hedge interest rate risk based on the maturity date of the loan. The hedging instruments applied are interest rate swaps on terms that agree with the hedged item.

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 using 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.

For transaction-matched hedging, the hedged item consists of fixed-rate funding or lending, and for portfolio hedging, the hedged item consists of a secured amount. The hedging instrument consists of one or more interest rate swaps. The interest rate swaps must be in the same currency and have the same maturity date 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. 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.

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							
	<1 year	1-5 years	>5 years	2019	2018	2019	2018	2019	2018	2019	2018
<i>Derivatives in hedging relationship</i>											
Derivatives in hedging of interest rate risk	68,041.3	239,299.0	82,515.8	389,856.1	297,131.9	1,220.8	2,576.2	-453.3	-491.4	-777.0	-335.8
Derivatives in hedging of interest rate risk, portfolio	-	150.0	-	150.0	-	0.0	-	-		0.7	-
Derivatives in hedging of interest rate and currency risk	981.8	2,389.0	-	3,370.8	3,708.4	396.0	343.3	-	-97.1	-13.8	-26.7
Total	69,023.1	241,838.0	82,515.8	393,376.9	300,840.3	1,616.8	2,919.5	-453.3	-588.5	-790.1	-362.5
Average interest rate	0.24%	0.22%	0.41%								
<i>Derivatives not used for hedging</i>											
Interest rate-related	109,235.3	146,289.7	2,657.7	258,182.7	223,441.4	23.9	71.3	-330.7	-756.5		
Currency-related	76,367.5	97,204.4	1,130.6	174,702.5	178,731.6	10,256.5	8,339.1	-2,347.1	-2,969.1		
Other	6,481.8	-	-	6,481.8	8,508.1	69.8	3.3	-353.4	-1,645.5		
Total	192,084.6	243,494.1	3,788.3	439,367.0	410,681.1	10,350.2	8,413.7	-3,031.2	-5,371.1		
Total	261,107.7	485,332.1	86,304.1	832,743.9	711,521.4	11,967.0	11,333.2	-3,484.5	-5,959.6		

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Lending in an interest rate risk hedge	116,060.4	85,680.7	869.5	656.5	-	-	-	-	213.0	206.5
Funding in an interest rate risk hedge	-	-	-	-	258,602.4	202,333.8	657.3	1,169.9	512.6	146.6
Funding in an interest rate and currency risk hedge	-	-	-	-	3,252.2	2,947.1	153.4	175.5	22.1	32.1
Hedged item in an interest rate risk hedge, portfolio	150.0	-	-0.7	-	-	-	-	-	-0.7	-
Total	116,210.4	85,680.7	868.8	656.5	261,854.6	205,280.9	810.7	1,345.4	747.0	385.2

Total hedging inefficiency	2019	2018
<i>Interest rate risk hedging</i>		
Derivatives	-777.0	-335.8
Funding	512.6	146.6
Lending	213.0	206.5
Portfolio	0.0	-
Total	-51.4	17.3
<i>Interest rate and currency risk hedging</i>		
Derivatives	-13.8	-26.7
Funding	22.1	32.1
Total	8.3	5.4

All inefficiency is recognised in net result of financial transactions.

Note 18 Intangible assets

Group	2019	2018
<i>Acquisition value</i>		
Acquisition value brought forward	34.0	24.3
Investments for the year	10.1	11.1
Disposals and scrappings	-	-1.4
Acquisition value carried forward	44.1	34.0
<i>Depreciation</i>		
Opening balance, depreciation	-18.3	-13.4
Depreciation for the year	-4.4	-4.9
Disposals and scrappings	-	-
Depreciation carried forward	-22.7	-18.3
Planned residual value at the end of the accounting period	21.4	15.7

Kommuninvest's intangible assets consist of business systems.

Note 19 Tangible assets

Group	2019	2018
Equipment		
<i>Acquisition value</i>		
Acquisition value brought forward	24.2	23.7
Investments for the year	4.5	0.5
Disposals and scrappings	-0.6	-
Rights of use, leasing	0.3	-
Acquisition value carried forward	28.4	24.2
<i>Depreciation</i>		
Opening balance, depreciation	-19.0	-16.3
Depreciation for the year	-2.4	-2.7
Disposals and scrappings	0.5	-
Rights of use, leasing	-0.1	-
Depreciation carried forward	-21.0	-19.0
Planned residual value at the end of the accounting period	7.4	5.2
Land and building		
<i>Acquisition value</i>		
Acquisition value brought forward	51.9	51.9
Investments for the year	-	-
Disposals and scrappings	-	-
Rights of use, leasing	0.9	-
Acquisition value carried forward	52.8	51.9
<i>Depreciation</i>		
Opening balance, depreciation	-22.1	-20.8
Depreciation for the year	-1.0	-1.3
Disposals and scrappings	-	-
Rights of use, leasing	-0.3	-
Depreciation carried forward	-23.4	-22.1
Planned residual value at the end of the accounting period	29.4	29.8
Tax assessment values		
Tax assessment value of Fenix 1 property	42.4	34.0
<i>Of which, land (in Sweden)</i>	<i>15.4</i>	<i>10.2</i>

Equipment mainly comprises IT equipment and office equipment.

Note 20 Receivables from subsidiaries

Kommuninvest Cooperative Society		
Group	2019	2018
Group contributions for the year	393.5	750.6
Trade and other receivables	0.0	0.0
Other receivables	1,003.5	889.2
Total	1,397.0	1,639.8

Other receivables refer to member contributions, which are handled by the Company on the Society's behalf and have not yet been transferred to the Company in the form of new share capital.

Note 21 Other assets

Group	2019	2018
Marginal collateral pledged	2,807.6	1,454.4
Other assets	18.9	9.4
Total	2,826.5	1,463.8

In 2016, Kommuninvest began pledging collateral for derivatives cleared by a central clearing counterparty, 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 there no right of netting applies. Accordingly, these are entered in full in the balance sheet.

Note 22 Other liabilities

Group	2019	2018
Marginal collateral received	7,981.4	4,551.8
Other liabilities	24.0	26.5
Leasing debt	0.8	-
Total	8,006.2	4,578.3

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 there no right of settlement applies and which are therefore included in full in the balance sheet.

Kommuninvest Cooperative Society

	2019	2018
Other liabilities	0.3	0.5
Tax liabilities	4.4	2.4
Accounts payable, trade	1.4	0.4
Total	6.1	3.3

Note 23 Provisions

Group	2019	2018
Provisions for off-balance sheet commitments	0.1	0.1
Total	0.1	0.1

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	
					2019	2018
Subordinated loan	SEK	1,000.0	Variable	30 November 2040	1,000.1	1,000.1
Total		1,000.0			1,000.1	1,000.1

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.

Not 25 Equity

Kommuninvest Cooperative Society

In the Group, the Kommuninvest Cooperative Society has classified participation capital of SEK 7,000.0 (6,889.9) million as equity, of which SEK 23.6 (23.6) 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 shall have returned to them 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 2019.

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.

Not 26 Equity

Group

SEK, million	Participation capital	Reserves ¹	Profit or loss brought forward	Total shareholders' equity
Equity carried forward 31 December 2017	6,770.6	-0.7	1,619.1	8,389.0
Transition effect IFRS 9		3.8	-11.8	-8.0
Equity brought forward 1 January 2018	6,770.6	3.1	1,607.3	8,381.0
Total comprehensive income				
Net profit			718.1	718.1
Change in development expenditure reserve for the year		8.9	-8.9	-
Comprehensive income for the year				-
Total comprehensive income	-	8.9	709.2	718.1
<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
Equity carried forward 31 December 2018	6,889.9	12.0	1,346.7	8,248.6
Equity brought forward 1 January 2019	6,889.9	12.0	1,346.7	8,248.6
Total comprehensive income				
Net profit			353.8	353.8
Change in development expenditure reserve for the year		9.1	-9.1	-
Comprehensive income for the year		-		-
Total comprehensive income	-	9.1	344.7	353.8
<i>Appropriation of profits under the General Meeting decision</i>				
Distribution of surplus as refunds and interest			-717.8	-717.8
<i>New participation capital during the year</i>				
Participation capital from new members of the Society	12.0			12.0
Contributions from existing members	98.1			98.1
Equity carried forward 31 December 2019	7,000.0	21.1	973.6	7,994.7

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

Note 27 Pledged assets, contingent liabilities and commitments

Group

Pledged assets	2019	2018
<i>In the form of assets pledged for own provisions and liabilities</i>		
Deposited at the Riksbank		
– government bonds	2,297.1	833.9
– state-related securities	3,448.4	4,666.2
Assets pledged for derivative liabilities		
– government bonds	5.3	566.2
Marginal collateral pledged to a central clearing counterparty		
– government bonds	–	1,280.6
Assets pledged, total	5,750.8	7,346.9
Contingent liabilities	None	None
Committed undisbursed loans	1,618.8	2,144.4
Committed loans	976.5	1,213.5

The recognised value of liabilities and provisions involving pledges amounted to SEK 5.8 (562.6) 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 2019, the Kommuninvest Cooperative Society had related party transactions with Kommuninvest i Sverige AB.

Related party, in TSEK	Year	Sales of goods/services to related parties	Purchase of goods/services from related parties	Other (interest)	Receivables from related parties on 31 December	Liabilities to related parties on 31 December
Kommuninvest i Sverige AB	2019	40	1,109	–	1,396,952	–
	2018	153	1,091	–	1,639,816	167

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.

Note 29 Financial assets and liabilities

Group

Financial instruments broken down by valuation category

2019	Amortised cost	Fair value through the income statement			Recognised value	Fair value
		Held for trade	Compulsory Fair value option	Derivatives used for hedge accounting		
Financial assets						
Cash and balances with central banks	811.1	-	-	-	-	811.1
Sovereign bonds eligible as collateral	13,511.2	-	-	4,175.1	-	17,686.3
Lending to credit institutions	21,935.7	-	-	-	-	21,935.7
Lending	271,027.8	-	-	137,190.3	-	408,218.1
Bonds and other interest-bearing securities	-	-	-	7,722.6	-	7,722.6
Derivatives	-	-	10,350.2	-	1,616.8	11,967.0
Other assets	2,823.4	-	-	-	-	2,823.4
Total	310,109.2	-	10,350.2	149,088.0	1,616.8	471,164.2
Financial liabilities						
Liabilities to credit institutions ¹	3,435.3	-	-	592.4	-	4,027.7
Securities issued ¹	285,715.8	-	-	161,047.2	-	446,763.0
Derivatives	-	3,031.2	-	-	453.3	3,484.5
Change in value of interest-hedged items in portfolio hedging	0.7	-	-	-	-	0.7
Subordinated liabilities	1,000.1	-	-	-	-	1,000.1
Other liabilities	8,002.1	-	-	-	-	8,002.1
Total	298,154.0	3,031.2	-	161,639.6	453.3	463,278.1

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		
Financial assets							
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
Total	285,845.1	-	8,413.7	119,884.6	2,919.5	417,062.9	417,036.4
Financial liabilities							
Liabilities to credit institutions ¹	0.8	-	-	583.2	-	584.0	584.0
Securities issued ¹	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
Total	246,527.4	5,371.1	-	156,424.1	588.5	408,911.1	409,899.5

1) Nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 451,880.3(401,574.2) 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 included in a fair value hedging relation and liabilities recognised at fair value.

*Note 29, continued***Calculation of fair value****General**

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

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

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.

The credit valuation adjustment for derivatives, CVA, is the market value of the expected loss of counterparty risks for derivatives. The valuation takes into account the risk mitigation measures taken by Kommuninvest, such as netting agreements (ISDA agreements) and agreements on the exchange of collateral (CSA agreements). Netting agreements and exchanges of collateral reduce the expected exposure in the event that a counterparty defaults. For those of Kommuninvest's derivative contracts that are cleared with central clearing counterparties, initial marginal collateral is provided, entailing a further step in reducing the counterparty risk. For these derivative contracts, CVA is not calculated. For derivative contracts not cleared by central clearing counterparties, CVA is calculated and entered in the accounts.

The debt valuation adjustment for derivatives (DVA) corresponds to the credit valuation adjustment that Kommuninvest's derivative counterparties have through their exposure to Kommuninvest. Due to the members' joint and several guarantee and their high creditworthiness, the debt valuation adjustment is an insignificant amount.

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 267 (238) 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 253 (259) million. A parallel displacement in the lending and funding price, in relation to swap rates, by 10 basis points would mean a change in net profit of SEK +/- 14 (+/- 22) 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 +/-14 (+/-23) million.

All of the above changes refer to 31 December 2019 (comparative figures refer to 31 December 2018) and exclude tax effects. Impact on equity relates to the tax effect.

Note 29, continued

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

Kommuninvest has calculated the maturity at 1.3 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 – 2.1 years. This would have an effect on net profit in the interval SEK –0.4 million – SEK +0.3 million.

Change in value due to anticipated credit risk

With the joint and several guarantee for Kommuninvest's funding provided by the members of the Kommuninvest Cooperative Society, Kommuninvest's own credit risk is considered to be negligible. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant

amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of liabilities are deemed attributable to general changes in the market price of credit and liquidity risk and not from changes in Kommuninvest's own credit risk.

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

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 accounting of credit valuation adjustment for derivatives, CVA, for derivatives not cleared by central clearing counterparties. While members' guarantees regarding counterparty exposures were previously taken into account, following reassessment, these are no longer considered a feature to be taken into account when valuing derivatives. Including this adjustment is considered to better reflect fair value. The change affects the overall value of the derivative portfolio negatively by SEK 5.0 million as per 31 December 2019.

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

2019	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign bonds eligible as collateral	2,667.6	1,507.5	–	4,175.1
Lending	–	137,190.3	–	137,190.3
Bonds and other interest-bearing securities	5,065.2	2,657.4	–	7,722.6
Derivatives	–	11,782.2	184.8	11,967.0
Total	7,732.8	153,137.4	184.8	161,055.0
Financial liabilities				
Liabilities to credit institutions	–	592.4	–	592.4
Securities issued	101,897.5	52,418.2	6,731.5	161,047.2
Derivatives	–	2,995.5	489.0	3,484.5
Total	101,897.5	56,006.1	7,220.5	165,124.1
2018				
Financial assets				
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
Total	4,931.5	126,157.3	129.0	131,217.8
Financial liabilities				
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
Total	89,764.9	62,961.0	9,657.8	162,383.7

Note 29, continued

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

	Recognised value 31 Dec 2019	Recognised value 31 Dec 2018
Assets		
To level 1 from level 2	-	-
To level 2 from level 1	-	7,797.5
Liabilities		
To level 1 from level 2	-	-
To level 2 from level 1	35,348.8	40,186.9

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 2019 and 31 December 2018 for the preceding period.

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

2019	Level 1	Level 2	Level 3	Total fair value	Recognised value
Financial assets					
Cash and balances with central banks	-	811.1	-	811.1	811.1
Sovereign bonds eligible as collateral	-	13,511.7	-	13,511.7	13,511.2
Lending to credit institutions	-	21,935.7	-	21,935.7	21,935.7
Lending	-	271,075.8	-	271,075.8	271,027.8
Other assets	-	2,823.4	-	2,823.4	2,823.4
Total	-	310,157.7	-	310,157.7	310,109.2
Financial liabilities					
Liabilities to credit institutions	-	3,435.3	-	3,435.3	3,435.3
Securities issued	-	286,975.3	-	286,975.3	285,715.8
Change in value of interest-hedged items in portfolio hedging	-	0.7	-	0.7	0.7
Subordinated liabilities	-	1,196.4	-	1,196.4	1,000.1
Other liabilities	-	8,002.1	-	8,002.1	8,002.1
Total	-	299,609.9	-	299,609.9	298,154.0

2018	Level 1	Level 2	Level 3	Total fair value	Recognised value
Financial assets					
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
Total	-	285,818.6	-	285,818.6	285,845.1
Financial liabilities					
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
Total	-	247,515.8	-	247,515.8	246,527.4

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
Opening balance, 1 January 2018	138.4	-63.2	-1,325.3	-1,250.1
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
Closing balance, 31 December 2018	129.0	-1,791.5	-7,866.3	-9,528.8
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
Opening balance, 1 January 2019	129.1	-1,791.4	-7,866.3	-9,528.6
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	55.7	1,302.4	-1,350.8	7.3
Borrowings raised/Securities issued			-3,190.6	-3,190.6
Maturing during the year			5,676.2	5,676.2
Closing balance, 31 December 2019	184.8	-489.0	-6,731.5	-7,035.7
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2019	185.2	216.9	-408.4	-6.3

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

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, an 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.

2019	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet ¹	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	
Assets							
Derivatives	17,553.6	-5,586.6	11,967.0	-2,104.1	-1,584.2	-7,267.8	1,010.9
Repos	20,042.6	-	20,042.6	-	-20,008.4	-	34.2
Liabilities							
Derivatives	-5,063.6	1,579.1	-3,484.5	2,104.1	5.3	683.3	-691.8
Repos	-3,435.1	-	-3,435.1	-	3,435.1	-	-
Total	29,097.5	-4,007.5	25,090.0	-	-18,152.2	-6,584.5	353.3

				Related amounts that are not netted in the balance sheet			
	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet¹	Net amount reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – security	Provided (+)/ Received (-) cash collateral	Net amount
2018							
Assets							
Derivatives	13,288.4	-1,955.2	11,333.2	-2,955.3	-4,151.9	-3,771.8	454.2
Liabilities							
Derivatives	-7,262.7	1,303.1	-5,959.6	2,955.3	558.1	1,281.3	-1,164.9
Total	6,025.7	-652.1	5,373.6	-	-3,593.8	-2,490.5	-710.7

1) The netted amount for derivative liabilities includes cash collateral of SEK 4,007 million as per 31 December 2019 and SEK 652 million as per 31 December 2018.

Note 31 Transition to IFRS 16 Leases

On 1 January 2019, IFRS 16 Leases came into effect, replacing IAS 17 Leases. The greatest difference between the accounting principles is that, under IFRS 16, leases are not divided into financial and operating leases – instead, all leases are reported in the balance sheet as rights of use assets and leasing debts. Another difference is that, expenses are now reported in the income statement distributed as a component of net interest income and as a depreciation component instead of under administrative expenses. IFRS 16 includes a relief rule allowing leases for which the underlying assets are deemed to be of low value to be recognised directly in the income statement.

Previously, the Group had only operating leases agreements and, where applicable, the transition has entailed these being capitalised in the balance sheet. The Group has chosen a simplified transition method, with the effect of the transition being adjusted the opening balance. The simplified method entails leases being recognised as of the date on which they commenced, without full retroactivity and with no recalculation of comparative figures. Kommuninvest has applied the relief rule to value the rights of use asset at the same amount as the leasing debt, which adjusted the opening balance in connection with the transition but did not cause any effects in equity. For leased assets, the rights of use assets are recognised under the item to which the assets would have belonged if the Group owned the asset, while the leasing debt is included under other liabilities. Regarding the adjustment of the opening balance, see the table on page 98.

IFRS 16 includes a relief rule entailing that leases for which the underlying asset is of low value need not be capitalised in the balance sheet but may be recognised directly in the income statement, allocated across the useful life of the asset. Kommuninvest applies the relief rule to all leases for which the underlying asset is of low value.

Kommuninvest's leasing activities are very limited and mainly comprise leasing of mobile phones, IT equipment and office equipment, with such leases predominantly being reported directly in the income statement. The Group has a small number of leases that have been capitalised in the balance sheet – these involve leases of premises outside Kommuninvest's ordinary office premises. Kommuninvest is not a lessor.

For leases of premises subject to contracts applicable until further notice, the term of the lease has been set at three years, which is considered a reasonable period for the reassessment of such agreements for which there is no predetermined end date. Other lease terms have been set at the contract terms, with the assessment being made that the underlying asset will be replaced once the contract has expired and a new lease agreement will be signed when applicable.

The table on page 98 shows the effect of the transition from IAS 17 to IFRS 16. The effect has been adjusted in the opening balance as of 1 January 2019. On transition, the rights of use asset has been valued at the same amount as the leasing debt, meaning that the transition had no effect on equity. Kommuninvest's leasing activities are very limited and leases with underlying assets of low value are reported directly in the income statement. Leases recognised in the balance sheet relate to leases of smaller premises and printers.

Consolidated balance sheet

	Carrying amount in accordance with IAS 17 as per 31 December 2018	Transition effect	Carrying amount in accordance with IFRS 16 as per 1 January 2019
ASSETS			
Sovereign bonds eligible as collateral	39,230.3	-	39,230.3
Lending to credit institutions	1,870.7	-	1,870.7
Lending	355,710.0	-	355,710.0
Bonds and other interest-bearing securities	7,457.8	-	7,457.8
Derivatives	11,333.2	-	11,333.2
Intangible assets	15.7	-	15.7
Tangible assets, equipment	5.3	0.3	5.6
Tangible assets, land and buildings	29.8	0.8	30.6
Current tax assets	78.6	-	78.6
Other assets	1,463.8	-	1,463.8
Deferred tax assets	0.6	-	0.6
Prepaid expenses and accrued revenues	15.2	-	15.2
TOTAL ASSETS	417,211.0	1.1	417,212.1
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities and provisions			
Liabilities to credit institutions	584.0	-	584.0
Securities issued	396,796.9	-	396,796.9
Derivatives	5,959.6	-	5,959.6
Other liabilities	4,578.3	1.1	4,579.4
Accrued expenses and prepaid revenues	43.4	-	43.4
Provisions	0.1	-	0.1
Subordinated liabilities	1,000.1	-	1,000.1
Total liabilities and provisions	408,962.4	1.1	408,963.5
Equity			
Participation capital	6,889.9	-	6,889.9
Reserves	12.0	-	12.0
Profit or loss brought forward	628.6	-	628.6
Net profit	718.1	-	718.1
Total equity	8,248.6	0.0	8,248.6
TOTAL LIABILITIES, PROVISIONS AND EQUITY	417,211.0	1.1	417,212.1

Note 32 Events after the balance sheet date

No significant events have occurred after the end of the reporting period.

Five-year summary – Group

Key ratios 2015–2019, SEK, million	2019	2018	2017	2016	2015
Equity					
Core Tier I capital ratio (%)	128.2	187.7	218.0	106.6	46.2
Tier I capital ratio (%)	128.2	187.7	218.0	106.6	46.2
Total capital ratio (%)	128.2	192.8	231.4	117.6	56.9
Leverage ratio according to CRR (%)	1.59	1.74	1.82	1.60	0.90
Net profit					
Operating income	538.0	581.7	677.9	581.7	534.5
Operating expenses, excluding the resolution fee/stability fee, as % of lending ¹	0.058	0.061	0.071	0.077	0.072
Operating expenses, excluding the resolution fee/stability fee, as % of balance sheet total ¹	0.050	0.052	0.061	0.059	0.054
Return on assets (%)	0.075	0.172	0.301	0.107	0.203
Cost/income ratio	0.321	0.326	0.323	0.320	0.379
1) The resolution fee replaced the stability fee during 2016.					
Other information					
Number of employees at the end of the year	93	92	96	91	85
Income statement 1 January – 31 December, SEK, million	2019	2018	2017	2016	2015
Net interest income	811.0	872.5	878.7	761.9	798.3
Commission expenses	-11.3	-8.2	-7.3	-5.2	-5.3
Net result of financial transactions	-201.5	161.4	512.0	-131.9	165.7
Other operating income	9.0	7.6	6.2	7.2	4.5
Total operating income	607.2	1,033.3	1,389.6	632.0	963.2
Total expenses	-263.1	-287.2	-285.7	-245.8	-304.5
Profit before credit losses	344.1	746.1	1,103.9	386.2	658.7
Net credit losses	12.6	-24.3	-	-	-
Operating profit	356.7	721.8	1,103.9	386.2	658.7
Tax	-2.9	-3.7	-28.0	-0.4	31.2
Net profit	353.8	718.1	1,075.9	385.8	689.9
Balance sheet summary as at 31 December, SEK million	2019	2018	2017	2016	2015
Cash and balances with central bank	811.1	-	-	-	-
Sovereign bonds eligible as collateral	17,686.3	39,230.3	24,635.8	16,964.4	16,839.4
Lending to credit institutions	21,935.7	1,870.7	698.5	1,150.8	717.3
Lending	408,218.1	355,710.0	310,147.3	276,982.1	254,421.7
Bonds and other interest-bearing securities	7,722.6	7,457.8	12,500.0	42,003.9	45,688.4
Derivatives	11,967.0	11,333.2	8,044.6	24,449.8	22,775.6
Other assets	2,980.5	1,609.0	945.2	178.2	173.4
Total assets	471,321.3	417,211.0	356,971.4	361,729.2	340,615.8
Liabilities to credit institutions	4,027.7	584.0	1,318.4	2,396.1	2,303.5
Securities issued	446,763.0	396,796.9	337,755.8	341,579.4	318,943.6
Derivatives	3,484.5	5,959.6	7,793.9	9,390.5	11,723.1
Change in value of interest-hedged item in portfolio hedging	0.7	-	-	-	-
Other liabilities	8,050.6	4,621.8	714.2	56.4	163.9
Subordinated liabilities	1,000.1	1,000.1	1,000.1	1,000.0	1,000.0
Total liabilities and provisions	463,326.6	408,962.4	348,582.4	354,422.4	334,134.1
Equity	7,994.7	8,248.6	8,389.0	7,306.8	6,481.7
Total liabilities, provisions and equity	471,321.3	417,211.0	356,971.4	361,729.2	340,615.8

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. Operating profit excluding the effect of unrealised changes in market value, as used in the 2018 annual

report, has been replaced by Operating income, motivated by this being a key ratio monitored by the Executive Management Team. 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	2019	2018
Operating income	Operating profit reduced with the result of unrealised changes in market value, included in the income statement item Net result of financial transactions and net credit losses. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.	Operating profit	356.7	721.8
		Result of unrealised changes in market value	-193.9	164.4
		Net credit losses	12.6	-24.3
		Operating income	538.0	581.7
Leverage ratio excluding lending to members and their companies	Kommuninvest's Tier 1 capital divided by the gross exposure amount less exposures in the form of Kommuninvest's lending to members and their companies. The key figure is relevant in illustrating the impact of the new regulations that will come into effect in June 2021.	Total exposure according to current regulations	469,860.5	423,127.0
		Exposure in the form of lending to members and their companies	409,515.7	357,388.9
		Total exposure	60,344.8	65,738.1
		Tier 1 capital, calculated applying transitional rules	7,456.1	7,353.0
		Leverage ratio excluding lending to members and their companies	12.36%	11.19%
Operating expenses, excluding the resolution fee, as % of lending	Operating expenses over the financial year, excluding the resolution fee in relation to the recognised 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	-246.9	-273.5
		Depreciation and impairment	-8.3	-9.2
		Other operating expenses	-7.9	-4.5
		Total operating expenses	-263.1	-287.2
		Resolution fee	-27.4	-69.1
		Total operating expenses excluding resolution fee	-235.7	-218.1
		Lending as per the closing date	408,218.1	355,710.0
		Operating expenses, excluding the resolution fee, as % of lending	0.058	0.061
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 balance sheet total on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to balance sheet total adjusted for the resolution fee.	General administration expenses	-246.9	-273.5
		Depreciation and impairment	-8.3	-9.2
		Other operating expenses	-7.9	-4.5
		Total operating expenses	-263.1	-287.2
		Resolution fee	-27.4	-69.1
		Total operating expenses excluding resolution fee	-235.7	-218.1
		Balance sheet total as per the closing date	471,321.3	417,211.0
		Operating expenses, excluding the resolution fee, as % of balance sheet total	0.050	0.052
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	353.8	718.1
		Total assets	471,321.3	417,211.0
		Return on assets (%)	0.075	0.172
Cost/income ratio	Total expenses in relation to net interest income and other operating income. An established key ratio in the banking sector for assessing the relationship between expenses and income.	Total expenses	-263.1	-287.2
		Net interest income	811.0	872.5
		Other operating income	9.0	7.6
		Total net interest income and other operating income	820.0	880.1
		Cost/income ratio	0.321	0.326

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 11 March 2020. The consolidated income statement, statement of comprehensive income and balance sheet, as well as the Parent Company's income statement and balance sheet will be subject to ratification by the Annual General Meeting on 16 April 2020.

Stockholm, 11 March 2020

Göran Färm
Chairman

Linda Frohm
Vice Chairman

Britta Flinkfeldt
Board Member

Carina Sándor
Board Member

Ewa-May Karlsson
Board Member

Bo Rudolfsson
Board Member

Niclas Nilsson
Board Member

Maria Liljedahl
Board Member

Kenneth Handberg
Board Member

Örjan Mossberg
Board Member

Fredrik Larsson
Board Member

Lilly Bäcklund
Board Member

Jonas Ransgård
Board Member

Pierre Sjöström
Board Member

Anna-Britta Åkerlind
Board Member

Tomas Werngren
President and CEO

Our Audit Report was submitted on [DATE]

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 2019. The Society's annual and consolidated accounts are included on pages 25–101 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 2019 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 2019 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 3–23 and 106–108. 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 2019 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,

KPMG AB

Anders Tagde
Authorised Public Accountant

Review Report for 2019

We the lay auditors, appointed by the Annual General Meeting of the Kommuninvest Cooperative Society, have examined the operations of the Kommuninvest Cooperative Society in 2019.

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

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

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

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

Örebro,

Barbro Hassel

Anki Svensson

Members of the Kommuninvest Cooperative Society

Name of member	Member No.	Population 31 Dec 2019	Member year	Name of member	Member No.	Population 31 Dec 2019	Member year
Municipality of Gävle	1	102,418	1993	Municipality of Katrineholm	50	34,755	1994
Municipality of Umeå	2	128,901	1993	Municipality of Vadstena	51	7,428	1994
City of Trollhättan	3	59,058	1993	Municipality of Pajala	52	6,052	1994
Municipality of Lindesberg	4	23,588	1993	Municipality of Piteå	53	42,281	1994
Municipality of Uddevalla	5	56,703	1993	Municipality of Kristianstad	54	85,747	1994
Municipality of Vänersborg	6	39,591	1993	Municipality of Berg	55	7,061	1995
Municipality of Sandviken	7	39,234	1993	Municipality of Vårgårda	56	11,810	1995
Municipality of Varberg	8	64,601	1993	Municipality of Ödeshög	57	5,337	1995
Municipality of Mjölby	9	27,758	1996	Municipality of Orsa	58	6,911	1995
Region Örebro County	10	304,805	1993	Municipality of Svedala	59	22,229	1995
Municipality of Örebro	11	155,696	1993	Municipality of Lomma	60	24,834	1995
Municipality of Kumla	12	21,738	1993	Municipality of Lekeberg	61	8,234	1995
Municipality of Laxå	13	5,683	1993	Municipality of Kungsör	62	8,675	1995
Municipality of Ljusnarsberg	14	4,771	1993	Municipality of Tjörn	63	16,016	1995
Municipality of Karlskoga	15	30,381	1993	Municipality of Staffanstorps	64	25,396	1995
Municipality of Hallsberg	16	15,932	1993	Municipality of Härryda	65	37,977	1995
Municipality of Degerfors	17	9,666	1993	Municipality of Grum	66	9,047	1995
Municipality of Askersund	18	11,377	1993	Municipality of Höganäs	67	26,942	1995
Municipality of Nora	19	10,726	1993	Municipality of Ängelholm	68	42,476	1995
Municipality of Hällefors	20	7,013	1993	Municipality of Flen	69	16,585	1995
Municipality of Härnösand	21	25,183	1993	Municipality of Essunga	70	5,654	1995
Municipality of Ale	22	31,402	1993	Municipality of Nordmaling	71	7,143	1995
Municipality of Norberg	23	5,690	1993	Municipality of Oskarshamn	72	27,102	1996
Municipality of Karlskrona	24	66,622	1993	Municipality of Båstad	73	15,128	1996
Municipality of Skellefteå	25	72,589	1994	Municipality of Storuman	74	5,852	1996
Municipality of Västervik	26	36,679	1994	Municipality of Älvdalen	75	7,031	1996
Municipality of Fagersta	27	13,391	1994	Municipality of Sunne	76	13,306	1995
Region Gotland	28	59,686	1994	Municipality of Hjo	77	9,210	1996
Municipality of Alingsås	29	41,420	1994	Municipality of Mönsterås	78	13,430	1996
Municipality of Smedjebacken	30	10,894	1994	Municipality of Malå	79	3,068	1997
Municipality of Boxholm	31	5,476	1994	Municipality of Högsby	80	5,921	1997
Municipality of Ockelbo	32	5,908	1994	Municipality of Torsby	81	11,616	1997
Municipality of Tanum	33	12,841	1994	Municipality of Lycksele	82	12,245	1997
Municipality of Borlänge	34	52,590	1994	Municipality of Bengtsfors	83	9,750	1997
Municipality of Strömsund	35	11,605	1994	Municipality of Åstorp	84	15,940	1997
Municipality of Kungsbacka	36	84,395	1994	Municipality of Simrishamn	85	19,174	1997
Municipality of Valdemarsvik	37	7,873	1994	Municipality of Vimmerby	86	15,647	1997
Municipality of Eda	38	8,564	1994	Municipality of Hultsfred	87	14,224	1997
Municipality of Gnosjö	39	9,712	1994	Municipality of Mörbylånga	88	15,249	1997
Municipality of Övertorneå	40	4,299	1994	Municipality of Arvika	89	26,045	1997
Municipality of Hedemora	41	15,491	1994	Municipality of Hammarö	90	16,568	1997
Municipality of Luleå	42	78,105	1994	Municipality of Karlshamn	91	32,473	1997
Municipality of Falun	43	59,406	1994	Municipality of Skara	92	18,837	1997
City of Landskrona	44	46,090	1994	Municipality of Sävsjö	93	11,677	1997
Municipality of Arboga	45	14,087	1994	Municipality of Skurup	94	15,889	1998
Municipality of Munkedal	46	10,513	1994	Municipality of Vindeln	95	5,423	1998
Municipality of Orust	47	15,218	1994	Municipality of Rättvik	96	10,950	1998
Municipality of Falkenberg	48	45,367	1994	Municipality of Mellerud	97	9,310	1998
Region Sörmland	49	297,540	1994	Municipality of Färgelanda	98	6,637	1998

Name of member	Member No.	Population 31 Dec 2019	Member year	Name of member	Member No.	Population 31 Dec 2019	Member year
Municipality of Söderköping	99	14,626	1998	Municipality of Bollnäs	156	26,888	2004
Municipality of Vetlanda	100	27,466	1998	Municipality of Storfors	157	4,014	2004
Municipality of Herrljunga	101	9,464	1999	Municipality of Huddinge	158	112,848	2004
Municipality of Laholm	102	25,903	1999	Municipality of Håbo	159	21,934	2005
Region Gävleborg	103	287,382	1999	Municipality of Gällivare	160	17,529	2005
Municipality of Mark	104	34,754	1999	Region Uppsala	161	383,713	2005
Municipality of Leksand	105	15,807	1999	Municipality of Kramfors	162	18,282	2005
Municipality of Strömstad	106	13,218	1999	Municipality of Haparanda	163	9,685	2005
Municipality of Upplands-Bro	107	29,346	1999	Municipality of Krokom	164	14,966	2005
Municipality of Alvesta	108	20,134	1999	Municipality of Arvidsjaur	165	6,220	2005
Municipality of Kalix	109	15,886	1999	Municipality of Mariestad	166	24,537	2005
Municipality of Bräcke	110	6,298	2000	Municipality of Åsele	167	2,794	2005
Municipality of Örkelljunga	111	10,280	2000	Municipality of Sollefteå	168	19,140	2005
Municipality of Götene	112	13,207	2000	Municipality of Örnsköldsvik	169	55,998	2005
Municipality of Ovanåker	113	11,670	2000	Municipality of Karlstad	170	93,898	2005
Municipality of Ydre	114	3,747	2001	Municipality of Surahammar	171	10,106	2005
Municipality of Bollebygd	115	9,495	2001	Municipality of Filipstad	172	10,644	2005
Municipality of Torsås	116	7,125	2001	Municipality of Motala	173	43,673	2005
Municipality of Håbo	117	12,433	2001	Municipality of Jokkmokk	174	4,923	2005
Municipality of Gagnef	118	10,304	2001	Municipality of Hallstahammar	175	16,346	2006
Municipality of Sotenäs	119	9,061	2001	Municipality of Avesta	176	23,178	2006
Municipality of Köping	120	26,214	2001	Municipality of Trosa	177	13,747	2006
Municipality of Boden	121	28,080	2001	Municipality of Lilla Edet	178	14,109	2006
Municipality of Tranemo	122	11,936	2001	Municipality of Skinnskatteberg	179	4,393	2006
Municipality of Nässjö	123	31,538	2001	Municipality of Kiruna	180	22,867	2006
Municipality of Kinda	124	9,940	2001	Municipality of Finspång	181	21,912	2006
Municipality of Sigtuna	125	48,964	2002	Municipality of Lysekil	182	14,555	2006
Municipality of Karlsborg	126	6,940	2002	Municipality of Söderhamn	183	25,643	2006
Municipality of Robertsfors	127	6,747	2002	Municipality of Hudiksvall	184	37,607	2006
Municipality of Älvsbyn	128	8,066	2002	Region Norrbotten	185	250,093	2006
Municipality of Mora	129	20,470	2002	Municipality of Dorotea	186	2,551	2006
Municipality of Tranås	130	19,003	2002	Municipality of Nordanstig	187	9,477	2006
Municipality of Eksjö	131	17,753	2002	Municipality of Arjeplog	188	2,785	2006
Municipality of Heby	132	14,047	2002	Municipality of Botkyrka	189	94,606	2006
Municipality of Oxelösund	133	11,983	2003	Municipality of Nybro	190	20,318	2007
Municipality of Haninge	134	92,095	2003	Municipality of Hagfors	191	11,606	2007
Municipality of Kungälv	135	46,336	2003	Municipality of Vännäs	192	8,872	2007
Municipality of Tomelilla	136	13,617	2003	Municipality of Bjurholm	193	2,408	2007
Municipality of Växjö	137	94,129	2003	Municipality of Eskilstuna	194	106,859	2007
Municipality of Trelleborg	138	45,440	2003	Municipality of Gnesta	195	11,365	2007
Municipality of Lessebo	139	8,733	2003	Municipality of Forshaga	196	11,499	2007
Municipality of Säter	140	11,093	2003	Municipality of Kalmar	197	69,467	2007
Municipality of Ånge	141	9,316	2003	Municipality of Sjöbo	198	19,226	2007
Region Västmanland	142	275,845	2003	Municipality of Stenungsund	199	26,777	2007
Municipality of Ljusdal	143	18,949	2003	Municipality of Strängnäs	200	36,544	2007
Municipality of Norsjö	144	3,986	2003	Municipality of Åre	201	11,727	2007
Municipality of Hofors	145	9,588	2003	Municipality of Ludvika	202	26,898	2007
Municipality of Överkalix	146	3,315	2004	Municipality of Lerum	203	42,568	2007
Municipality of Kil	147	12,087	2004	Municipality of Nykvarn	204	11,014	2007
Municipality of Härjedalen	148	10,090	2004	Municipality of Vilhelmina	205	6,668	2007
Region Värmland	149	282,414	2004	Municipality of Emmaboda	206	9,445	2007
Municipality of Eslöv	150	33,793	2004	Municipality of Vansbro	207	6,805	2007
Municipality of Mullsjö	151	7,290	2004	Municipality of Töreboda	208	9,293	2007
Municipality of Vingåker	152	9,111	2004	Municipality of Sölvesborg	209	17,452	2007
Municipality of Munkfors	153	3,740	2004	Municipality of Ragunda	210	5,284	2007
Municipality of Ystad	154	30,541	2004	Municipality of Osby	211	13,208	2008
Municipality of Säffle	155	15,455	2004	Municipality of Vaggeryd	212	14,275	2008

LIST OF MEMBERS

Name of member	Member No.	Population 31 Dec 2019	Member year	Name of member	Member No.	Population 31 Dec 2019	Member year
Municipality of Timrå	213	17,979	2008	Municipality of Värnamo	270	34,560	2012
Municipality of Knivsta	214	18,835	2008	Municipality of Södertälje	271	98,979	2012
Municipality of Åtvidaberg	215	11,503	2008	City of Gothenburg	272	579,281	2012
Municipality of Uppvidinge	216	9,588	2008	Municipality of Skövde	273	56,366	2012
Municipality of Svenljunga	217	10,780	2008	City of Sundbyberg	274	52,414	2012
Municipality of Tingsryd	218	12,393	2008	Municipality of Uppsala	275	230,767	2013
Municipality of Jönköping	219	141,081	2008	Municipality of Tibro	276	11,240	2013
Municipality of Lund	220	124,935	2008	Municipality of Järfälla	277	79,990	2013
Municipality of Ulricehamn	221	24,668	2008	Municipality of Svalöv	278	14,268	2013
Municipality of Tierp	222	21,136	2008	Municipality of Klippan	279	17,756	2014
Municipality of Grästorps	223	5,693	2008	Municipality of Markaryd	280	10,320	2014
Municipality of Malung-Sälen	224	10,138	2009	Region Jämtland Härjedalen	281	130,810	2016
Municipality of Östra Göinge	225	15,007	2009	Municipality of Partille	282	39,289	2016
Municipality of Årjäng	226	10,070	2009	Region Kronoberg	283	201,469	2016
Municipality of Dals-Ed	227	4,813	2009	Municipality of Sollentuna	284	73,857	2016
City of Vaxholm	228	12,003	2009	Municipality of Kävlinge	285	31,705	2016
Municipality of Älvkarleby	229	9,457	2009	Region Västerbotten	286	271,736	2016
Municipality of Ljungby	230	28,521	2009	City of Mölndal	287	69,364	2017
Municipality of Hörby	231	15,631	2009	Municipality of Linköping	288	163,051	2017
Municipality of Älmhult	232	17,651	2009	Region Blekinge	289	159,606	2019
Municipality of Burlöv	233	19,112	2009	Municipality of Ekerö	290	28,690	2019
Municipality of Hässleholm	234	52,145	2009				
Municipality of Olofström	235	13,426	2009				
Municipality of Sala	236	22,894	2009				
Municipality of Öckerö	237	12,916	2009				
Municipality of Kristinehamn	238	24,255	2009				
Municipality of Östhammar	239	22,250	2009				
Municipality of Bromölla	240	12,870	2009				
Municipality of Gullspångs	241	5,280	2009				
Municipality of Aneby	242	6,848	2009				
Municipality of Lidköping	243	40,089	2009				
Municipality of Bjuv	244	15,715	2009				
Municipality of Nynäshamn	245	28,575	2009				
Municipality of Norrköping	246	143,171	2009				
Municipality of Halmstad	247	102,767	2009				
Municipality of Ronneby	248	29,633	2009				
Municipality of Sorsele	249	2,489	2010				
Municipality of Falköping	250	33,246	2010				
Municipality of Upplands Väsby	251	46,786	2010				
Municipality of Hylte	252	10,815	2010				
Municipality of Borgholm	253	10,839	2010				
Municipality of Höör	254	16,713	2010				
Municipality of Vara	255	16,024	2010				
Municipality of Vallentuna	256	34,090	2010				
Municipality of Salem	257	16,750	2010				
Municipality of Tyresö	258	48,333	2010				
Municipality of Tidaholm	259	12,846	2010				
Municipality of Värmdö	260	45,000	2010				
Municipality of Norrtälje	261	62,622	2011				
Region Dalarna	262	287,966	2011				
City of Solna	263	82,429	2011				
Municipality of Perstorp	264	7,492	2011				
Municipality of Nyköping	265	56,591	2011				
Municipality of Gislaved	266	29,963	2011				
City of Borås	267	113,179	2011				
Municipality of Enköping	268	45,287	2012				
Municipality of Åmål	269	12,610	2012				



On the Kommuninvest website, www.kommuninvest.se/en, you can read more about Kommuninvest, our services and news affecting the economy and finances of municipalities and regions in Sweden. On the website you will find:

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



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