

KOMMUNINVEST I SVERIGE AB

# Annual Report 2021



KOMMUNINVEST

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The Annual Report for Kommuninvest i Sverige AB (publ) is presented on pages 27–98. On pages 1–26 "Kommuninvest" refers to the Kommuninvest Cooperative Society and/or to Kommuninvest i Sverige AB. From page 27 and onwards, it refers to Kommuninvest i Sverige AB, unless otherwise stated.

The Annual Report for the Parent Society, the Kommuninvest Cooperative Society, is available at [www.kommuninvest.org](http://www.kommuninvest.org)

# 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.

**280**  
**+ 14**

Kommuninvest is owned by  
 280 municipalities and 14 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 84 billion.

## 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

Administrates membership and the joint and several guarantee.

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

### Kommuninvest i Sverige AB

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

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



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

## 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.

## 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 461 bn**

Lending to members amounted to SEK 461 billion at the end of 2021.

# Eventful corona pandemic year

In 2021, Kommuninvest continued to efficiently address the corona pandemic and its repercussions. Digital and hybrid formats were widely used for meetings and events. Development was stable in both lending and funding. Important progress was achieved in the area of sustainability, particularly with the launch of Social Sustainability Loans. On the regulatory side, much effort was invested in advocacy, analysis and preparations regarding the “risk tax”. Kommuninvest is fully subject to the tax in 2022. Thereafter, it is the clear intention of the Riksdag (Swedish parliament) that Kommuninvest should be exempted.

## The corona pandemic

The corona pandemic continued to pervade societal development during 2021. The year began with a high level of contagion and far-reaching restrictions in Sweden and around the world. During the spring and summer, vaccinations had an increasing impact. Restrictions were eased and societies opened up. In Sweden, society returned to some kind of normality. During the autumn, contagion increased in many areas, causing restrictions to be reintroduced. In Sweden, this became a reality in November – December. Thanks to vaccination efforts, the impact, in terms of the burden on healthcare and deaths, was less pronounced in this new wave than earlier during the pandemic.

The economic recovery over the year was strong and mostly stable. Growth figures were high in Sweden and nearly all over the world. During the recovery phase, the global economy has been affected by bottlenecks, shortages and production disruptions. Among other things, this has contributed to increased inflation and rising inflation expectations. As a result, a number of central banks have begun a tightening of monetary policy. Reduced asset purchases and higher policy rates are currently at the planning stage in many places. In the finan-

cial market, most of the world’s stock markets have noted significant gains. There has been some concern about how a tighter monetary policy could affect market dynamics. By the end of the year, however, this had not led to corrections or turbulence to any great extent.

Within the framework of its QE programme, the Riksbank continued to purchase local government bonds on a large scale during the year. This action has, by all accounts, pushed interest rates down and reduced interest rate spreads between Kommuninvest and other local government issuers. To some extent, this has sharpened the competitive situation, while not having a more fundamental effect where Kommuninvest is concerned.

Over the year, Kommuninvest’s lending grew at a slightly slower pace than initially forecast. The extensive central government allocations in connection with the pandemic have, in combination with the rapid recovery, created a situation in which many municipalities and regions have had strong financial outcomes and muted funding needs.

Kommuninvest’s funding is adjusted to the lending trend. With the lending forecast initially being set at SEK 120–140 billion, the total funding volume for the year was slightly more than SEK 120 billion. Funding condi-



tions have been generally favourable. In terms of Kommuninvest's strategic markets, transactions have been made in SEK and USD, where prices have been roughly equal, but not in EUR, where prices have generally been worse. In accordance with the procedure initiated in the spring of 2020, the weekly auctions within the Swedish Benchmark Programme have continued to generate favourable results. In September, a new issue was, for the first time, implemented within the framework of this auction procedure.

In 2021, Kommuninvest achieved significant progress in its sustainability work. Green financing has continued to grow steadily. Based on disbursed volume, the share of Green Loans has increased in relation to total lending, and was approximately 13 percent at the end of the year. In May, Kommuninvest received the environmental targets award Miljömålspriset 2021 from the Swedish Environmental Protection Agency, for its contribution to achieving the environmental objective of limited climate impact. This provided important recognition of the good results achieved by the green financing programme.

After thorough preparations and a successful pilot phase, Social Sustainability Loans were launched for all members in March. This innovative loan product is for

municipalities and regions, as well as their companies, seeking to strengthen their investments in social sustainability and make them visible. An active process, involving discussions and an exchange of knowledge, has been conducted to generate awareness of the product and its possibilities. At the end of the year, seven customers, including the five pilot customers, had been granted loans for a total of SEK 614 million.

Over the year, Kommuninvest developed the support offered to customers/members in making financial decisions. This has occurred in close dialogue with customers/members and relevant organisations. The materials, including reports and analysis tools, and the advisory services have been strengthened in four areas. These address owning or leasing operational premises, guarantee fees, governance in financial balance and liquidity planning.

The Welfare Economists – the independent group of experts established by Kommuninvest to analyse the local government sector economy in the wake of the pandemic – published two new reports during the spring. The group has particularly emphasised the importance of applying systematic streamlining (by means of digitalisation and new working methods, for



example) to build long-term sustainability into the finances of Swedish municipalities and regions.

Kommuninvest's operations have continuously been adapted to the varying conditions caused by the pandemic and the restrictions. Besides a period in October and November, during which there was a high level of attendance at the office, employees have worked from home to a fairly large extent. Opportunities for hybrid meetings have been strengthened, with participants attending both physically and online. All major events, including the regular member consultations in January, the Annual General Meeting of the Society in April, the Finance Forum in September – October and additional member consultations regarding the risk tax in October, have been conducted in digital format. In general, this flexible and somewhat complex approach has worked well, despite the challenges. Operations have continued at full capacity.

#### Risk tax

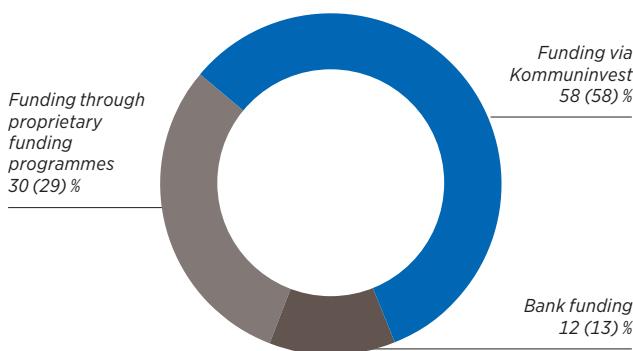
In September 2020, the central government presented a proposal for a so-called risk tax for banks and other credit institutes. This was updated in late May 2021. The design entails the tax applying fully to Kommuninvest. In an active advocacy process that included formulating consultation responses jointly with The Swedish Association of Local Authorities and Regions (SALAR), as well as numerous other initiatives – Kommuninvest has opposed the tax being applicable to local government partnerships. Because Kommuninvest is guaranteed by its members, providing loans only to members and their companies, its operations do not

entail the type of risk to the external community cited by the government as its motive for the tax.

On 14 December, the Riksdag voted to approve the government bill. Accordingly, the risk tax was introduced as of 1 January 2022. The Riksdag's assent was, however, accompanied by three announcements. The first of these concerned local government partnerships. The Riksdag held that the government should return to the matter, by 1 October 2022 at the latest, with a proposal to the effect that Kommuninvest would no longer be subject to the tax as of 1 January 2023. The Riksdag also held that the government should, as soon as possible, present a proposal for compensating the local government sector for the additional expense entailed by the temporary taxation of local government cooperation through Kommuninvest.

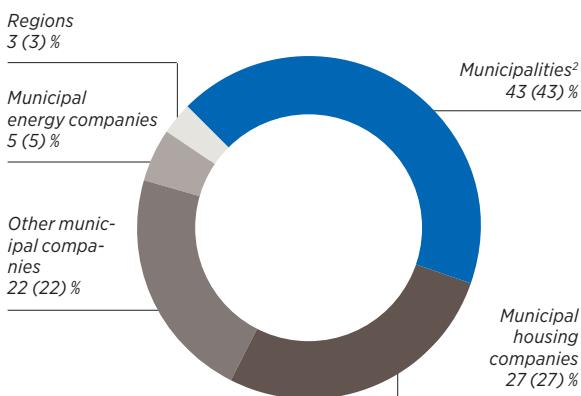
Kommuninvest has conducted extensive analysis and preparations with the purpose of ensuring that the operations are able to manage the risk tax to the extent necessary. The views of the members were sought at the additional member consultations on the matter arranged in October. A key component in the overall solution was a programme of restructuring for both the Company and the Society, focused on lowering the Group's cost level (excluding the risk tax) through efficiency enhancements and savings. A fundamental principle was that the programmes should primarily comprise measures that would be important or necessary for Kommuninvest to implement, even if it would not be affected by the risk tax. Implementation of the programmes commenced in November.

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



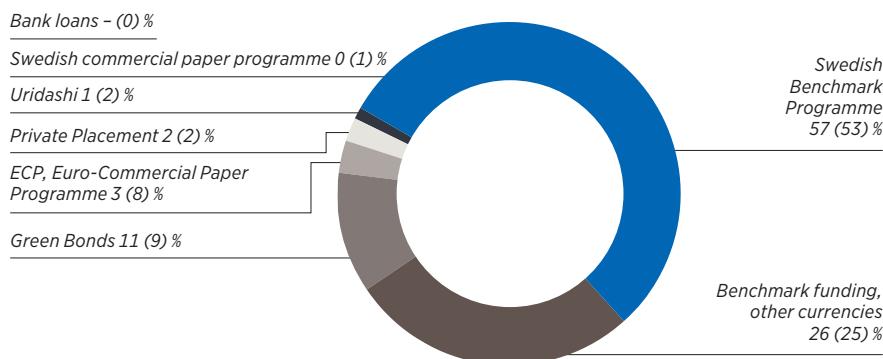
1) Forecast regarding outstanding funding (figures in brackets refer to actual outstanding funding in accordance with members' own Annual Reports as per 31 December 2020).

## 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 2021. Figures in parentheses refer to 31 December 2020.

## Multi-year summary, Kommuninvest i Sverige AB

	2021	2020	2019	2018	2017
Balance sheet total, SEK billion	524.3	527.4	471.3	417.2	356.9
Lending (recognised value), SEK, billion	460.7	445.8	408.2	355.7	310.1
Net profit, SEK, million	375.6	179.7	307.9	586.1	876.0
Members, total	294	292	290	288	288
of which, municipalities	280	278	278	277	277
of which, regions	14	14	12	11	11
Core Tier I capital ratio, %	397.1	302.5	126.8	188.4	212.4
Tier I capital ratio, %	397.1	302.5	126.8	188.4	212.4
Total capital ratio, %	397.1	302.5	126.8	188.4	212.4
Leverage ratio, %	15.36	10.60	12.29	11.30	14.06

# Accelerated development provides stability, strength and sustainability

Despite 2021 being a tough year, with challenges surrounding both the corona pandemic and the risk tax, we were able to accelerate the development of Kommuninvest's operations. We increased our digital capacity, created a forward-looking efficiency agenda and achieved useful advances in sustainability and consulting. There is a "creative resilience" in the organisation that safeguards stability and strength in all situations.

Two major challenges pervaded 2021. One involved maintaining a steady course through new phases of the corona pandemic. In particular, the process of securing efficient operations in digital and hybrid formats had to be continued. The second concerned the risk tax for banks and other credit institutions, which was introduced following the end of the year. In parallel with active advocacy efforts, it was necessary to develop a solid package of measures for the organisation to be able to handle an additional tax cost that could exceed existing operating expenses.

We tackled these challenges in a pragmatic and vigorous manner. A principal tenet in Kommuninvest's culture is to do what must be done to provide the optimum solution for customers and members at every opportunity. This makes for a "creative resilience" that has often proven highly beneficial.

This is what led us to achieve significant progress in strengthening our digital capacity. We pursued aggressive development processes even when almost the entire organisation was working remotely. We built up a strong capacity for hybrid meetings and working methods. We conducted larger events in highly effective digital formats.

This also allowed us to take advantage of the challenge presented by the risk tax to accelerate Kommuninvest's development on a broader front. The package of measures to address the



**There is a "creative resilience" in the organisation that safeguards stability and strength in all situations.**

risk tax includes an efficiency improvement schedule that would have been essential even without the tax. With increased standardisation and automation, and by focusing on implementing new approaches, we will become even more efficient in our role as the local government sector's leading lender.

The introduction of the risk tax without local government partnership being exempt was disappointing. Having established that we are a low-risk institution fostering key welfare investments, it was, however, positive that the Riksdag (Swedish parliament) very clearly expressed the opinion that Kommuninvest should be exempt from 1 January 2023. That would make Kommuninvest subject to the tax for only one year. We expect the government to take the steps necessary for this to happen.

## Progress in sustainability and consulting

In addition to the corona pandemic and risk tax, we also made progress in the area of sustainability. We strengthened our general governance and capacity in sustainability. We continued to develop our leading role in green financing. The total number of investment projects for which Green Loans were granted passed the 500 mark in number. These projects exceed SEK 80 billion in total value and are distributed over more than 180 municipalities and regions. Receiving the environmental award, Miljömålspriset, for the green programme's contribution to climate



work, was a positive recognition of the local government sector's strong efforts in this area. In March, Social Sustainability Loans were launched for all customers/members. This innovative loan product, established based on members' demand, broadens our sustainability efforts and affords us a leading position in the development of a relatively new form of financing.

Another active path of development over the year involved strengthening the support in financial decisions that we offer customers/members. This work has been conducted in close dialogue with customers/members and relevant organisations. The materials, including reports and analysis tools, as well as the advisory services, have been upgraded in four key current areas within the framework of the local government sector's financial management.

### **Stability and strength**

I am impressed by the constructive adaptability of everyone working at Kommuninvest. It was not an easy year. But thanks to this "creative resilience", the operations nonetheless achieved progress through their stability and strength. This bodes well for the future.

Kommuninvest i Sverige AB

**Ellen Bramness Arvidsson**

Chairman

# Steady and sustainable growth

**During a corona pandemic year in which the local government sector's finances showed evident strength, Kommuninvest's lending continued to grow stably, albeit at a slower pace than previously. Substantial progress was made in the area of sustainability, particularly with the launch of Social Sustainability Loans. Extensive preparations were made to address the new risk tax, including focusing on forward-looking efficiencies.**

## Another year defined by the corona pandemic

The year 2021 was another defined by the corona pandemic. Despite the challenges, there was a tangible strength in the local government sector economy. This was in part caused by extensive central government allocations in connection with the pandemic. Another was the robust macroeconomic recovery around the world.

In this context, Kommuninvest's lending continued to grow, although not at the high pace to which we have become accustomed in recent years. The sector's financial strength, with increased liquidity, had a restraining effect on members' funding needs. The Riksbank's purchases of local government bonds within the QE programme also played a certain role. The interest rate discrepancies between different asset classes remained compressed, making local government collaboration through Kommuninvest less advantageous, compared with individual local government issuers. Although this has no fundamental impact on Kommuninvest's business model, it is not optimal in the long run.

Kommuninvest's operations were affected to only a limited extent by the pandemic. Even with substantial digital and hybrid working methods, the organisation worked at full capacity. In the long term, creativity and corporate culture can be negatively affected by fewer physical meetings and contacts. In the short term, however, such challenges can be dealt with.

## Good progress

A clear indication that the operations achieved good progress was the launch of Social Sustainability Loans. This new loan product, which



**In April, we received the 2021 environmental targets award, Miljömålspriset, for our contribution in achieving the environmental objective of limited climate impact. This provided important recognition of the local government sector's impressive efforts in the green transition.**

broadens our sustainability work, has been developed in close dialogue with a number of customers/members with specific interests in this area.

At the same time, green financing continued to grow. In April, we received the 2021 environmental targets award, Miljömålspriset, for our contribution in achieving the environmental objective of limited climate impact. This provided important recognition of the local government sector's impressive efforts in the green transition.

Another favourable path of development was our strengthening of the support in financial decisions – in the form of reports, calculation tools and advice, for example – that we offer our customers/members.

## Addressing the risk tax

During the year, we conducted extensive efforts to address the Government's proposed risk tax for banks and other credit institutions. In part, and as part of a broad collaboration in the local government sector, we championed an advocacy process seeking an exemption for local government partnerships through Kommuninvest. And, in part, through analysis, preparation and dialogue, we developed a package of measures to be able to manage the tax within the organisation.

The Riksdag's (Swedish parliament) approval of the government bill in December was a setback – the risk tax thus becoming a reality without our being exempt. This will be a heavy burden for local government partnerships in 2022. On the other hand, a victory was achieved when the Riksdag also stated its opinion that local government partnerships should no longer be



subject to the tax as of 1 January 2023 and that the local government sector should be compensated for the additional expense in 2022. We now expect the government to deliver on this announcement.

Given that the risk tax, according to the Riksdag's thinking, will only affect Kommuninvest for one year, we are planning a balanced mix of measures. We will be focusing on key efficiencies that are crucial even independent of the tax. We are now intensifying our efforts to build an even sharper organisation.

#### **Net profit**

The operating profit for the year, SEK 476 million, was higher than expected. This is partly due to unrealised changes in market values turning out to be favourable at SEK 44 million, and to a higher return on the management of our liquidity reserve. At SEK 426 million, our operating income was, however, lower than previous years. This follows the resolutions taken by the 2018 Annual General Meetings and is in

line with what we strive for in the long term. In accordance with these decisions, a smaller margin between funding and lending is intended to bring lower prices and less operating income.

#### **Employees of the highest standard**

Over the year, our colleagues have faced double challenges: the corona pandemic and the risk tax. And they have done so with great spirit. I am extremely grateful for their excellent performance and amazing commitment. Their efforts are what made the year now concluded such a good one.

Kommuninvest i Sverige AB

**Tomas Werngren**

President and CEO

# How Kommuninvest helps build welfare

Kommuninvest finances most of the Swedish local government sector's investments in, for example, housing, schools, homes for the elderly, swimming baths and infrastructure.

Through our lending, we provide conditions for Swedish municipalities and regions to invest cost-efficiently in welfare. Since the financial crisis in 2008–2009, Kommuninvest's share of the local government sector's funding has increased sharply. Today, we account for more than half of total loan debt. The explanation is that an increasing number of municipalities and regions have joined as members, and that our growing economies of scale and regulatory development have made it increasingly difficult for banks and other financial institutions to compete with our favourable credit terms.

## 1. Funding

Kommuninvest continuously raises funds both in Sweden and in the international capital market. The local government sector's inherent stability, combined with our members' joint and several guarantee of Kommuninvest's commitments, means our 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 linked to any specific purpose and borrowers need not, in accordance with the Swedish principle of municipal self-government, report what the money will be used for.

Since we know our members well, we generally have a good knowledge of their financial situation. We provide credit based on lending frameworks and credit decisions. The lending limits determine how much we can lend to the relevant municipal/regional group before an in-depth analy-

sis needs to be carried out. These should not be seen as fixed long-term ceilings, but are part of a continuous and active analysis process. Credit decisions are to be kept within these limits.

## 3. Green Loans and Social Sustainability Loans

Kommuninvest runs two sustainable financing programmes. These are designed to foster local and regional sustainability efforts. Green Loans are provided for environmental and climate initiatives, while Social Sustainability Loans are provided for social initiatives. For municipalities and regions to be granted loans within these programmes, the investment projects concerned must meet predetermined criteria and be included in one of the defined categories. Loan applications are examined by the Environment Committee or the Social Sustainability Committee, as relevant. In turn, Kommuninvest's sustainable lending is financed by issuing special bonds that are acquired by Swedish and international investors. To date, a large number of Green Bonds have been issued. Social bonds will be issued when the volume in the programme has grown sufficiently large.

## 4. Disbursement of loans

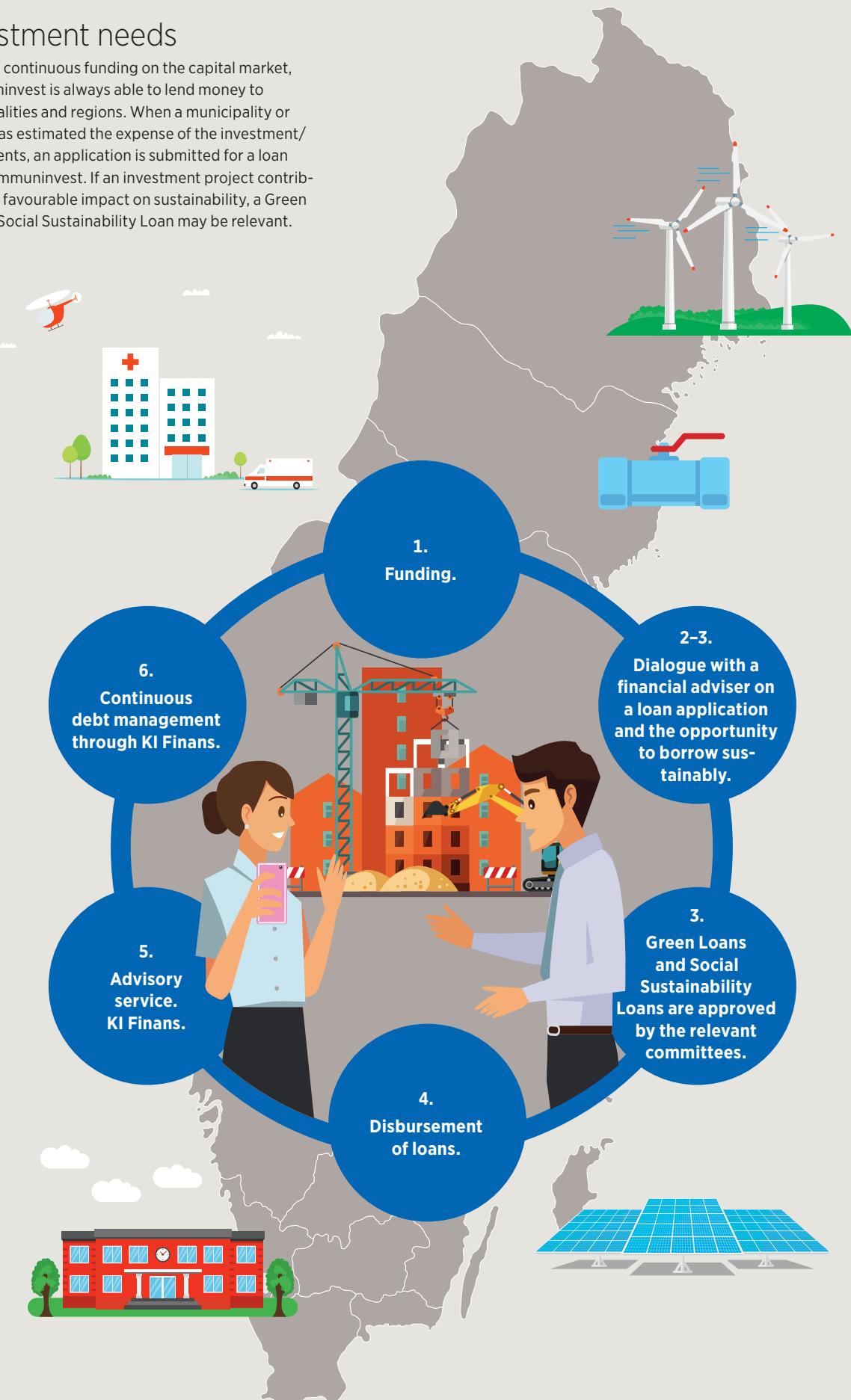
Because we know our members well and apply a fast, efficient and highly digitalised credit process, it takes only a short time between the customer's initiative and the disbursement of the loan. Whether it concerns a Green Loan or a Social Sustainability Loan, we handle the specific administration and documentation required to operate sustainable financing programmes – such as for external review and for the reporting of the impact to investors.

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

Throughout the term of the loan, the borrower is in continuous contact with our financial advisers 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/investments, an application is submitted for a loan from Kommuninvest. If an investment project contributes to a favourable impact on sustainability, a Green Loan or Social Sustainability Loan may be relevant.





# Sustainable financing is our mission

**Kommuninvest's basic concept and vision includes encouraging social development that is sustainable in the long term. The sustainable financing solutions that Kommuninvest offers foster efficient use of tax revenues, financial stability and the local government sector's work with Agenda 2030. The partnership that Kommuninvest represents encompasses 97 percent of Swedish municipalities.**

The municipalities and regions form the foundation of the Swedish welfare state. It is under their management that citizens encounter the most central welfare services, including healthcare, education and residential care. They also play a central role in the basic social infrastructure, in the form of housing, energy supply, public transport, water/sewerage, etc. Local government actors play a key role in advancing Swedish efforts towards Agenda 2030, in terms of both environmental change and societal issues.

## 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. By bringing local government funding needs together and channelling them through a single organisation, economies of scale can be achieved, while keeping operating expenses down. Accordingly, Kommuninvest plays a similar role for the local government sector as the National Debt Office does for the central government and its authorities.

As the largest lender to the sector by far, Kommuninvest helps generate both direct and indirect values. Crucially, the financing solutions and the knowledge and debt management tools we provide benefit financial stability in Swedish municipalities and regions and help develop members' debt management expertise. Accordingly, essential investments in welfare and sustainability can be made more efficiently and at a lower cost to taxpayers. This strengthens the welfare society by providing new or refurbished homes for the elderly, schools, apartments and healthcare facilities, or various forms of infrastructure such as roads, public transport, energy, water/sewerage.

## Partnership strengthened during corona pandemic

The corona pandemic of recent years has entailed an extraordinary strain on municipal and regional operations – for this reason, Kommuninvest's support of the sector in the challenges it has faced has been particularly important. Kommuninvest has above all maintained continued access to the capital market and was able to finance municipalities' and regions' funding needs on favourable terms. We have also

intensified our knowledge-based support in the form of research and focus reports that in various ways foster effective governance and long-term management. For example, the Welfare Economists expert group, launched in 2020, is behind four reports, including a handbook on efficiency.

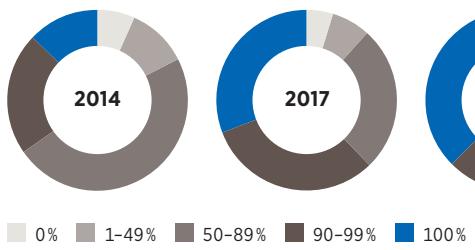
Given that the local government welfare mission and long-term economic sustainability are being challenged by demographic developments, with an increasing proportion of older people, alongside continuing substantial investment needs, it remains crucial for the sector to maintain favourable financing and support in effective debt management. During the year, the municipalities of Täby and Danderyd became members of the Society, meaning that 280 of Sweden's 290 municipalities are now members.

## A non-profit concept that benefits society

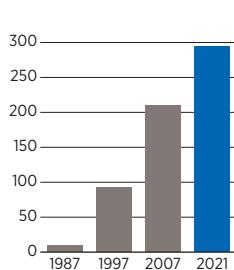
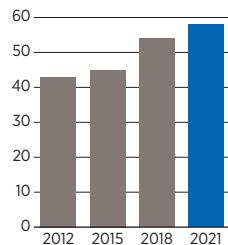
Kommuninvest is established as a cooperative concept whose operations have no vested interest in generating a profit and are to be characterised by as low a level of risk-taking as possible. Accrued profit is returned to the members of the Society in the form of interest on their contribution capital and as refunds on their business volumes. In 2021, SEK 197.8 (355.4) million was transferred. In recent years, profits have decreased following a decision by the members in 2018 to change the pricing model, entailing a reduction in the prices offered by Kommuninvest.

## Towards more complete integration of sustainability

It is becoming increasingly clear that the financial market can influence the transition to more sustainable societies. In 2021, the regulatory consequences of the action plan for financing sustainable growth launched by the EU in 2018 have begun to take shape in earnest. The action plan aims to direct capital towards sustainable investments, to manage financial risks caused by climate change, environmental degradation and social vulnerability, and to promote transparency and a long-term perspective in financial and economic activities. During the year, the Company commenced a process to be able to meet the mandatory and voluntary regulations that are planned, including a new directive for sustainability reporting, new requirements for regulatory reporting and a voluntary European standard for Green Bonds.

**Kommuninvest's share of local government funding**

The compilation refers to Kommuninvest's share of funding among all of Sweden's municipalities, including both members and non-members. Most of the municipalities with no funding from Kommuninvest are non-members, meaning they are not entitled to raise loans from Kommuninvest. Of the 13 municipalities that had no funding from Kommuninvest in 2019, 12 were non-members. Data for 2021 were not available at the time of publication.

**Number of members****Kommuninvest's market share, %**



# Sustainability work

**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.**

Our view on sustainability builds on the values of the Swedish local government sector, and actions are conducted in accordance with the Local Government Act and other 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.

## Financing, knowledge, responsibility

By providing efficient financing of investments for Sweden's municipalities and regions, we contribute to sustainable welfare over the long term. A strong ownership structure and the joint and several guarantee allow us to raise capital in the financial market cost-efficiently and stably. The members' considerable investment needs and Kommuninvest's position, being responsible for a sizeable proportion of members' funding, generate economies of scale.

We support our members' sustainability work with financing products clearly focused on environmental and social sustainability. Since their launch in 2015, Kommuninvest's green financing programme has grown to become one of the largest in the Nordic region. Since 2021, a new product has been offered, Social Sustainability Loans, aimed specifically at fostering systematic work with social initiatives.

We are also working to build knowledge on debt management, as part of good financial management in the sector. By extension, this should give elected representatives optimal room for manoeuvre in delivering welfare services to citizens. We have, for example, undertaken special efforts to improve awareness regarding whether municipalities and regions should own or rent their operational premises. Given its role in society, it is crucial that Kommuninvest be governed clearly to ensure the operations are conducted responsibly.

## Stakeholder dialogue

We maintain a continuous dialogue with those stakeholders who, in various ways, influence and are affected by our operations, to identify the sustainability issues with which the Group should work. Our dialogue with stakeholders involves meetings with members, customers and employee delegates, as well as with representatives of government ministries and national authorities. We also conduct surveys among key stakeholders on an ongoing basis, including members, customers, employees and investors, both more traditional satisfaction surveys as well as more distinct sustainability surveys.

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. The dialogue with municipalities and regions in their role as members is mainly conducted with elected politicians. The dialogue with municipalities and regions in their role as customers is conducted mainly with local government officials, generally with specialists in economics and finance.

## Governance of sustainability work

The Sustainability Manager is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department heads, who are responsible for taking sustainability aspects into account within their respective areas of responsibility. Guidelines for sustainability work are detailed in a Sustainability Policy adopted by the Company's Board of Directors, and are further specified in supplementary policies and instructions relating to occupational and personal safety, 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. The actions taken to address sustainability risks are largely governed by national and international regulations and guidelines alongside the Society's Ownership Directive, internal instructions and policies.

One of the most significant sustainability risks is associated with trust, due to insufficient control and requirements in terms of environmental, social and governance (ESG) criteria among borrowers and counterparties. As a first step, the Company has begun to introduce sustainability risks (ESG) as part of the assessment of municipalities in connection with a special review and in connection with the testing of the lending framework. This work is complex, given the local government sector's broad societal mission, and is expected to intensify in the upcoming years.

Given the Group's organisational and basic structure, including the members' joint and several guarantee for the Group's liabilities, that all lending is zero risk weighted and that primary and secondary local government authorities cannot be declared bankrupt, the financial exposure to sustainability-related risk is highly limited.



## Our sustainability perspectives

### Sustainability work builds on three perspectives

#### Sustainable financing

Supporting municipalities and regions' efforts in financial, environmental and social sustainability, as well as in fostering stability.

#### Responsible operations

Ensuring that Kommuninvest complies with its Code of Conduct, the expectations of stakeholders, as well as with laws, rules and regulations.

#### Sustainable organisation

Fostering a good working environment and employee health, good management, employee collaboration, and an agile organisation.



## Which global goals are most clearly connected?

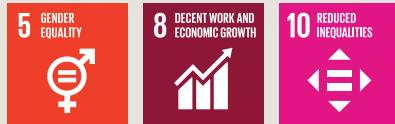
### Sustainable financing



### Responsible operations



### Sustainable organisation



Our influence is both direct (within the Company's decision-making mandate) and indirect (in the case of lending, funding and other balance sheet items). 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. The goals most clearly connected are presented here.



# Sustainable financing

**Kommuninvest offers financial services and products that support the work of the municipalities and regions regarding good financial management and sustainable development. This provides conditions for tax funds to be used as efficiently as possible, to increase the stability of the financial system and to promote the local government sector's sustainability work.**

Our contribution in sustainable financing involves cost-effective and stable financing of public investments, products capable of promoting sustainable realignment, and long-term analysis for sustainable local government finances. The 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.

## Comprehensive digitalisation

Lending forms the foundation of our operations. To be able to offer stable financing at the right price, it must continuously be streamlined in accordance with the needs of customers and members. Since 2020, the kI Låna lending process has essentially been entirely paper-free, even for the customer thanks to digital signing. This increases flexibility and reduces administration for customers while freeing up resources in the Company for more qualified customer support and strategic conversations.

At the same time, as a result of the corona pandemic, customer and investor meetings have increasingly been held online, with physical meetings now essentially only being held for special reasons. The more aggressive process of digitalisation also includes the events and seminars that Kommuninvest arranges, with these changes possibly becoming fully or partly permanent following the pandemic.

There are clear advantages for a membership organisation spread throughout the country to handle interaction and dialogue through digital formats to a relatively high degree. Many members perceive not having to travel as an advantage. During the year, the Company continued to invest in technology to enable smooth digital and hybrid meetings.

With kI Finans, Kommuninvest also offers 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 2,375 (2,246) users at the end of 2021.

## Sustainable financing programmes

Since 2015 and 2020, respectively, Kommuninvest has been operating two sustainable financing programmes, both of which are designed to foster local and regional sustainability efforts. Environmental and climate initiatives, as well as social initiatives are financed either through Green Loans or Social Sustainability Loans – loans which are then refinanced by issuing bonds for which pension and mutual fund compa-

nies, for example, are the buyers. Kommuninvest is one of the Nordic region's largest issuers of Green Bonds and its ambition is to issue its first Social Bond as soon as the underlying loan volume is sufficiently large.

During the year, the milestone of 500 projects approved for Green Loans was passed, and Kommuninvest also received the Swedish Environmental Protection Agency's environmental targets award, Miljömålspriset, for its efforts with this programme. New policies were also adopted regarding the two programmes, entailing decisions to appoint members of the expert committees attached to the programmes, as well as the instructions given to the committees, being made by the Board of Directors of the Company. To safeguard a high degree of integrity and expertise in the committees, they include representatives from universities and state research institutes as well as local and regional expertise.

## Catalyst for further-development of impact measures

The Green and Social financing programmes both promote increased measurement of their effects on society, that is, following up and assessing the investment contribution from a sustainability perspective. Financing is conditional on requirements for both transparency and feedback. For Green Loans, the impact generally involves reducing or avoiding CO<sub>2</sub> emissions, adapting to climate change or other environmental benefits. For Social Sustainability Loans, it may be a matter of increased security, increased participation, improved school results or increased employment. Contributing to a development results in improved governance, follow-up and assessment, as well as an increased focus on sustainable investments closely complements Kommuninvest's basic concept.

The expected annual reduction of CO<sub>2</sub> emissions and other environmental benefits from investment projects financed with Green Loans can be seen in Kommuninvest Green Bonds Impact Report. The principles for reporting are based on the Nordic co-operation initiated by Kommuninvest in this area, the Nordic Position Paper on Green Bonds Impact Reporting, which has been updated and published on three occasions.

## Standard for impact measures for social initiatives

Impact measures for social initiatives, that is, analysis of the significance of such efforts in achieving predefined social objectives, is an area in which a common terminology and a more harmonised approach are sought. Accordingly, Kommuninvest participates in the technical committee for stand-



## Investment in more climate-smart construction

As of 2022, legal requirements will be introduced requiring climate declarations for all newly-constructed properties – that is, the climate impact of any new building must be reported.

To stimulate a development in which local government customers take the lead, Kommuninvest, in partnership with Public Housing Sweden and IVL Swedish Environmental Institute, produced a guide for setting climate requirements when procuring construction projects. The partnership is taking place within the framework of the “Climate requirements at a reasonable cost” initiative.

Against this background, Kommuninvest has also developed new requirements for Green Loans. In addition to requirements regarding low energy consumption, construction projects commencing as of 2022, must also be able to demonstrate that, as a minimum, concrete life cycle-oriented climate measures are implemented for the skeleton of the building. This entails, for example, a frame of wood and/or climate-improved concrete, or that steel with a lower climate impact is used. Applicants must also be able to present a calculation of the building's climate impact during the construction phase.



ardisation in impact measures for initiatives initiated in 2021 through the Swedish Institute for Standards, SIS.

### **Increasing awareness on local government financing**

To increase knowledge of the local government sector's long-term financial conditions, we conduct our own research and publish reports detailing trends in local government investments and their financing, including funding and debt analyses. The data are made available in public databases. Knowledge is disseminated on an ongoing basis by means of seminars and individual meetings. We also collaborate with higher education. Among other things, Kommuninvest has for several years partnered with the University of Örebro to promote research on the local government sector's debt management and financial conditions, and we finance both 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.

### **Control in financial balance**

Financial management is of great importance in safeguarding long-term sustainability in the local government sector's finances. A thorough analysis provides a solid foundation for

effective management. Kommuninvest works actively to provide support in analysis and considerations and, during the year, published the report “Increased efficiency in local government sector financial management”. Alongside SALAR and Public Housing Sweden, an updated guide to guarantee fees for municipal housing companies was also published.

### **Voluntary adaptation to taxonomy studied**

Based on the EU Taxonomy Regulation, which classifies what investments are to be considered environmentally sustainable, aspects of sustainability are being integrated in earnest into financial decision-making and reporting. Among other things, the purpose is to clarify how financial market players should inform and communicate about sustainability, how comparable, sufficient and qualitative information regarding companies' sustainability work should be produced and how banks and credit institutions should work to integrate sustainability into their risk management. The efforts initiated by the Company in 2021 to meet the new regulatory requirements includes investigating the conditions for voluntarily adaptation of the green financing programme to a future EU standard for Green Bonds.



# Responsible operations

**A clear division of responsibilities and a focus on owner control, corporate governance and ethics shall help the Group to comply with the laws, regulations and rules applicable to the operations. Control and review activities are designed to meet the demands that can be made on a systemically important player.**

Our efforts build on the following circumstances:

- A clear division of responsibilities between the parent organisation and the business operations. The Society addresses membership and ownership matters, while the Company addresses business issues.
- Annual ownership directives indicate the Company's course ahead. Risk appetite is low and professional conduct, strict ethical requirements and good business practices are to permeate the operations.
- Clearly regulated requirements on matters of corporate governance, risk management and compliance, including in areas such as money laundering and anti-corruption.
- Integrated sustainability work, in terms of both direct and indirect impact.
- Commitment to relevant societal issues and coordination with others, to meet stakeholder expectations and increase the effect of our efforts.

## Ethics at the fore

Both the Company's Sustainability Policy and its Code of Conduct emphasise the importance of ethical and responsible behaviour. We are to conduct financially sound and sustainable operations and shall not participate in violations of human rights or the rights of employees, nor shall we contribute to negative environmental impacts, or accept corruption. Our success depends on the trust of members, customers, counterparties, investors, employees and authorities.

Any conflicts of interest are to be identified and handled efficiently and effectively to prevent negative impacts on customers, members or the Company. With regard to tax matters, the Company's actions must be responsible, correct and transparent. The Company shall not participate in transactions or make products available that may be questionable in relation to applicable tax legislation. Where there is any doubt, the Company shall refrain from participating. Ethics shall always be taken into account.

## Anti-corruption and anti-money laundering measures

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 suspicions of corruption or money laundering were identified during the year.

The Company's compliance function works to monitor and control the Company's compliance with laws and other regulations. The function also provides advice to the Company's Board of Directors, the President and CEO and personnel, as well as providing training in the area to enhance employees' knowledge and vigilance.

## Environmental and climate considerations

Kommuninvest's environmental and climate work takes into account both the direct impact of the office operations, purchases and services, as well as the indirect impact of the financial operations. Due to the corona pandemic, business travel remained at very low levels in 2021 and a number of measures were also taken to reduce the head office's climate impact: solar cells were installed on the roof and cooling units were replaced with a system based on district cooling. This is expected to contribute to increased energy production in-house, reduced energy consumption and reduced noise.

## Climate compensation

We compensate for the emissions remaining following our own climate efforts. In accordance with the conditions that apply to municipalities and regions, we climate compensate internally, that is, for investments made locally/in Sweden. Earmarked funds set aside either to finance initiatives supporting the sustainability efforts of the Society's members or helping reduce Kommuninvest's own impact. To date, climate compensation funds have been used for the Group's participation in the project "Climate requirements at a reasonable cost", together with Public Housing Sweden and IVL, see the case presented on page 19. The project is now continuing, focusing on renovation, rebuilding and extension.

## Community commitment and cooperation

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. We are also part of several initiatives aimed at promoting sustainable change, including the Viable Cities strategic innovation programme for intelligent, sustainable towns and cities.



# Sustainable organisation

**Having a sustainable organisation is crucial to meeting the expectations of our stakeholders in the long term. Our high level of ambition and the insight that each employee can make a difference are what guide us in this work. Communicative leadership, committed employee collaboration and a focus on skills are essential for success.**

By “a 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 may not occur.

In 2021, employees worked both from home and at the office, depending on the contagion scenario at different times. Safeguarding a beneficial and safe working environment remains a priority, with opportunities for hybrid and digital meetings.

## 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.

## 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. At the end of 2021, 41 (39) percent of the total number of employees were women. Of the managers, 38 (35) percent were women and, in the Executive Management Team, the proportion was 43 (43) percent. A defined target for the Company entails increasing the proportion of female managers.

The ambition is to be able to attract, retain and develop skilled employees, regardless of gender, ethnic background, faith, age, disability, sexual orientation, gender identity or gender expression. Towards the end of 2021, 13 (13) percent of the Company’s employees had their origins in countries other than Sweden. In the organisation, 14 (12) different countries were represented.

## Continuous learning to increase benefit for members

Systematic skills supply shall safeguard appropriate capabilities being available in the right place at the right time.

To a large extent, skills supply entails increasing skills among existing personnel. As an effect of the corona pandemic, this increasingly occurs in digital formats. There are several benefits: access to a broader range, lower travel costs and less environmental impact, increased efficiency and better conditions for maintaining a balance in everyday life.

## Focus on self-management

Building on the systems support, structures and processes for learning that the Company provides, the individual employees, together with their immediate managers, bear substantial responsibility for their own development and learning. The Company works proactively to promote the shift in culture and behaviour needed by managers and employees alike. Key elements in this are the management and employee programmes that have been implemented, multi-year investments in leadership, employee collaboration, communication and culture.

## Regular employee surveys

Employee surveys are conducted annually, to gauge the working climate and, in a formalised format, ascertain how employees perceive their work situation. During the corona pandemic, frequent temperature checks were conducted to observe challenges and early signals of ill health more quickly. Certain preventive measures were put in place where needed. Employees have also been afforded opportunities to ask questions or to submit comments on an ongoing basis at the additional digital monthly meetings scheduled by the Company.

## 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. Sustainable Daily Life 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 the situation at work.



## A social finance market is taking shape

A socially sustainable society can be described as an egalitarian and gender-equal society in which people live a good life in good health and without unjust differences. However, as a result of demographic changes, increased segregation and the occurrence of a number of socio-economically vulnerable areas, this view is under threat in Sweden. Working with social sustainability is necessary and desirable from both a socio-economic and human perspective, and is also important for a democratically sustainable society.

Similar to how the development of a green financial market indicated the importance of engaging capital in the transition to a more sustainable society, there are now signs of an emerging social finance market in Sweden. Similar to developments in the area of the environment in 2013–2015, local government actors are also at the forefront of developments now. Examples include the Municipality of Norrköping, the City of Malmö and Region Stockholm.

Kommuninvest's contribution is the new Social Sustainability Loan product, which, for the first time, gives the local government sector the opportunity to use loans to finance socially-oriented investments, in a way that promotes better governance, impact measurement and review of initiative to build social sustainability. From the perspective of members, there are considerable similarities with the Green Loans programme, with Social Sustainability Loans being able to help strengthen and make visible local or regional sustainability initiatives, while facilitating the development of practices, coordination and impact measures.

### Potential to help reduce society's expenses

Social Sustainability Loans were launched in March 2021 after a development phase of two years together with about ten members and customers. The Social Bonds framework that has been set out clarifies the kinds of social needs and challenges that can be financed. These involve housing and living environments/security, safety and accessibility/as well as health, education, sports and culture.

For the investment to be granted funding, it must be able to foster a socially sustainable society through innovation, by developing practices and/or by enhancing quality with regard to the physical investment, the social

initiative or the relevant target group. The borrower also undertakes to continuously monitor and assess the investment.

All applications are examined by the Social Sustainability Committee, an expert committee with representatives from member municipalities and regions, universities and state research institutes. The Committee is appointed by the Company's Board of Directors and is tasked with, among other things, reviewing and determining the social nature of the loan applications.

### Favourable results in initial feedback

At the end of the year, seven customers had been approved for Social Sustainability Loans, corresponding to a total of SEK 614 million in approved financing. Five of these had provided initial feedback.

“Increased health and well-being”, “increased sense of security and well-being”, “increased integration”, “increased faith in the future” and “increased participation and dialogue and reduced vandalism”. These are some of the results that borrowers reported regarding their investments and related social initiatives.

Housing company Botkyrkabyggen, which received funding for its sustainable and cautious renovation strategy, as well as for its dialogue with residents, has been able to limit rent increases following renovation to only 13 percent in the properties concerned. Following the renovation, no one was found to have been forced to move because of the rent increases.

In Trollhättan, by moving its operations to a deserted and insecure place in a socially vulnerable area, housing company Eidar AB, transformed this into a vibrant district centre with increased public and private local services. At the same time, a large number of jobs was generated and the vacancy rate was reduced to zero. There are now hopes that this will be reflected in increased security and satisfaction in future surveys of residents.

A clear ambition with Social Sustainability Loans is to foster a culture of impact assessment in the local government sector and a systematic approach to social sustainability that includes amassing knowledge and developing methods. From the first year of the programme, the experience is that significant potential exists to be able to support members and customers in their efforts towards a socially sustainable society.



#### **Municipality of Botkyrka**

Stormwater parks that purify water and increase accessibility in the area. Fostering increased integration, enhancing perceived security and improving public health.



#### **Eidar (Trollhättan)**

Moving operations to a socially disadvantaged area created a lively district centre with a healthcare facility, a pharmacy and a community centre. Increased employment and reduced vacancies.



#### **Botkyrkabyggen**

Cautious and sustainable renovation for limited rent increases. Dialogue with residents and investment in well-being at home.



#### **Uppsalahem**

Renovation in accordance with a socially sustainable model. Flexible renovation choices through dialogue with residents and taking needs and ability to pay into account.



#### **Änge municipality/ÅFA**

More appropriate premises and outdoor environments to bring people together more, increase access to remedial teaching and more advanced outdoor teaching to increase educational results for all children in the municipality.



#### **Municipality of Vara**

New family centre in a central location brings together businesses and professions focusing on preventive measures. Increased home visits to families with children aged 0–6 months.



#### **Årehus**

New and larger preschool brings preschool activities together and provides better conditions for strengthening the implementation of systematic sustainability efforts and safeguarding favourable skills supply.



# Sustainability indicators

## Sustainable financing

	Unit	2021	2020	2019
<b>Lending volume</b>				
Total lending to municipalities, regions, municipal companies, etc.	SEK, million	460,650.3	445,788.8	408,218.1
Share of the sector's financing	%	57.9	57.6	55.8
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.048	0.045	0.050
Green Loans, volume outstanding, disbursed	SEK, million	60,209	52,478	40,283
Green Bonds, volume outstanding	SEK, million	54,561	43,636	36,636
Green Loans, proportion	%	13%	12%	10%
Social Sustainability Loans, volume outstanding, granted (volume disbursed)	SEK, million	614 (207)	463 (157)	-

## Environmental indicators – Kommuninvest Group

	Unit	2021	2020	2019
<b>Energy consumption</b>				
Total energy consumption (in buildings)	kWh	561,117	518,793	616,853
– of which, electricity	kWh	325,657	334,963	385,980
– of which, heating	kWh	235,460	183,830	230,873
Total CO <sub>2</sub> impact of energy consumption (in buildings)	Tonnes	119	119	142
– of which, from electricity consumption <sup>1</sup>	Tonnes	103	106	122
– of which, from heating <sup>2</sup>	Tonnes	16	13	20
Proportion of renewable energy in energy consumption of electricity	%	100	100	56
Change in electricity consumption compared to the preceding year	%	-3	-13	5
Proportion of renewable energy in energy consumption for heating	%	100	100	95
Total office space	m <sup>2</sup>	2,217	2,217	2,217
Total energy consumption per m <sup>2</sup>	kWh/m <sup>2</sup>	253	234	278
Total energy consumption per employee <sup>3</sup>	kWh	5,611	5,037	6,107
<b>Resource usage</b>				
Purchased office paper	Tonnes	0.1	0.39	0.45
– of which sustainability labelled paper (PEFC)	Tonnes	0.1	0.33	0.45
Proportion of sustainability labelled office paper, of total purchases	%	100	84	100
Total paper consumption per employee	Kg	1.1	3.8	4.5
Paper recycling, incl. purchased and delivered paper	Tonnes	2.0	1.6	2.0
CO <sub>2</sub> emissions avoided through recycling	Tonnes	2.3	2.3	2.7
<b>Business travel</b>				
Total business travel	Km	76,865	228,922	911,699
Total business travel per employee	Km	769	2,223	9,027
Total air travel	Km	14,899	90,363	493,063
Rail travel in Sweden	Km	44,504	120,241	364,616
Total CO <sub>2</sub> emissions from business travel	Tonnes	5	43	225
CO <sub>2</sub> emissions from business travel, per employee <sup>4</sup>	Tonnes	0.05	0.42	2.2
<b>Total climate footprint</b>				
Total climate footprint of the operations <sup>5</sup>	Tonnes	124	162	367
Total climate footprint per employee, CO <sub>2</sub> e	Tonnes	1	1.6	3.6

1) The climate impact from electricity consumption, calculated applying an emissions factor for electricity of 315 g CO<sub>2</sub>e/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 within Scope 2, in accordance with the Greenhouse Gas Protocol.

2) The climate impact from heating, calculated applying the latest available emissions factor for district heating in the Municipality of Örebro for 2021 of 68 g CO<sub>2</sub>e/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 within Scope 2, in accordance with the Greenhouse Gas Protocol.

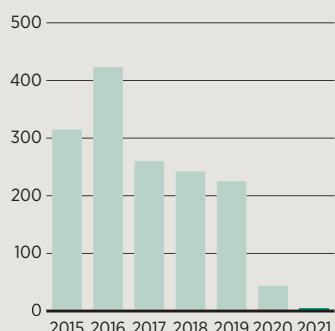
3) The emissions avoided through recycling over the year break down between 745 kg plastics, 2,045 kg paper, 139 kg iron, 30 kg hazardous waste and 331 kg alternative raw materials, source: Stena Recycling. Kommuninvest does not include emissions avoided by recycling resources, as the climate impact of the purchases in question has not been calculated.

4) Values are adjusted for high altitude factor.

5) Includes CO<sub>2</sub> emissions from energy consumption, resource consumption and business travel. All emissions are included in Scope 1 and Scope 2 and emissions from business travel are included in Scope 3.



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



Source: Big Travel, until 2020 with adjustment by Kommuninvest for so-called RFI factor regarding the high altitude effects of air travel.

Business travel continued to decline in 2021, mainly as a consequence of the corona pandemic. Business travel by air, measured in number of kilometres, decreased by 84 percent compared with 2020 and by 97 percent compared with 2019. Rail travel, measured in number of kilometres, decreased by 63 percent compared with 2020 and by 88 percent compared with 2019. The total carbon footprint continued to decline, amounting to 1.0 (1.6) tonnes CO<sub>2</sub>e per employee in 2021.

## Generating financial value – Kommuninvest Group

	Unit	2021	2020	2019
<b>Total revenue</b>				
Interest revenues	SEK, million	998.3	1,743.1	1,223.5
Other operating income	SEK, million	10.4	10.8	9.0
<b>Distributed value</b>				
Interest expenses	SEK, million	-317.5	-1,045.6	-412.5
Commission expenses	SEK, million	-11.4	-12.7	-11.3
Salaries and emoluments	SEK, million	-81.8	-76.6	-77.9
Pension expenses, training expenses and other payroll expenses	SEK, million	-32.5	-27.6	-24.5
Social security contributions and payroll tax on pension expenses	SEK, million	-29.0	-26.8	-27.8
Resolution fee	SEK, million	-23.0	-20.9	-27.4
Other operating expenses	SEK, million	106.2	-107.7	-106.0
Tax	SEK, million	-0.1	-2.3	-2.9
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	197.8	355.4	717.8
<b>Efficiency</b>				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.048	0.045	0.050

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

## Employee statistics – Kommuninvest Group

	Unit	2021	2020	2019
Total number of employees, including those on part-time and probationary employment <sup>1</sup>	Number	118	116	111
Proportion of women/men - total	%	41/59	39/61	41/59
Proportion of women/men - all managers	%	38/62	35/65	29/71
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	100	103	101
Employment period <2 years (based on permanent employees)	%	17	15	17
Employment period 2–4 years	%	26	26	19
Employment period 5–9 years	%	27	32	34
Employment period >10 years	%	30	27	29
Personnel turnover	%	9	9	10
Participation in employee survey	%	89	94	95
Proportion of employees with university education	%	89	89	90
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	83	83	93

1) Number of employees refers to the total headcount, including full and part-time employees, those on parental leave and temporary employees. The total number of permanent and probationary employees was 96 at the end of 2021.



# Auditor's opinion regarding the statutory Sustainability Report

To the Annual General Meeting of Kommuninvest i Sverige AB (publ),  
company registration number 556281-4409

## Engagement and responsibility

It is the Board of Directors that is responsible for the Sustainability Report for the year 2021 on pages 14–25 and that it is prepared in accordance with the Annual Accounts Act.

## Opinion

A statutory Sustainability Report has been prepared.

Stockholm, 24 February 2022

KPMG AB

## 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.

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 2020), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2020 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 53, 55 and 57 of this document.
- In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Kommuninvest i Sverige AB has chosen to prepare the statutory Sustainability Report separately from the Annual Report. The Sustainability Report is available on pages 14–25 of this document.

# Sustainable financing and advanced knowledge

**The Riksbank's measures to mitigate the effects of the corona pandemic have had an impact on Kommuninvest's competitiveness. However, the local government sector still has substantial investment needs and the long-term added value from municipal collaboration through Kommuninvest remains considerable.**

## Focus of the operations

By providing efficient financing of investments and improving knowledge and skills in local government debt management, Kommuninvest shall contribute to welfare that is sustainable in the long term. Kommuninvest offers products and services that meet customers' financing needs, support the sustainability work of the municipalities and regions and contribute to the entire sector's expertise in debt management.

Kommuninvest continues to digitalise and streamline the loan process. Functions facilitating customers' authorisation processes and the necessary decision documents within the loan process were launched during the year. The development of the digital lending process is appreciated by customers and the proportion of loans raised through the digital flow is continuously increasing.

During the year, Kommuninvest also offered more in-depth support in financial decisions, in the form of reports, webinars and tools in several key areas of focus for customers and members. These include a guide on guarantee fees for municipal housing companies, developed in collaboration with SALAR and Public Housing Sweden, support for analysis and considerations associated with the choice of owning or renting business premises and support for improved liquidity planning.

The new Social Sustainability Loans product was successfully launched during the year. In addition to the pilot customers, others have also joined. Efforts are ongoing to establish this loan product among our customers.

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

Broadening and deepening employees' expertise to safeguard competitive operations in the future

### EFFICIENCY

To ensure that the Company's lending price, average funding cost plus various margin surcharges, are competitive in relation to the local government authorities' own funding

## Multi-year summary

The Company's lending trend has been affected by the corona pandemic and the extensive central government allocations to the local government sector, as well as the Riksbank's purchases of local government bonds. Lending totalled SEK 461 billion at the end of 2021, having grown by 3 percent over the year. This is to be compared with an average annual growth of 10 percent over the past five years. The Company's share of the local government sector's external funding has increased from 50 percent to an estimated 58 percent over the same period.

For multi-year data in table format, see page 7.

# Strong sector surpluses

**Strong liquidity in municipalities and regions restrains their loan financing needs. In 2021, Swedish local government borrowing grew by SEK 27 billion to SEK 795 (766)<sup>1</sup> billion.**

**Kommuninvest retains a strong position, with the Company financing 58 (58) percent of the local government sector's total 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 investments. These investments encompass several areas of local government operations, including property, housing, water and sewerage, infrastructure and energy production. In 2020, however, investment in the local government sector decreased slightly, which is likely to be an effect of the corona pandemic. Kommuninvest's assessment is that investments will increase over the upcoming years, albeit at a slightly slower pace than the average over the preceding decade. The assessment is based on population forecasts being revised downwards, while needs for maintenance and realignment remain.

After two years of declining self-financing rates in investment, the trend stabilised in 2019 and, in 2020, the self-financing rate rose sharply due to record earnings combined with declining investment volumes. Self-financing rate is expected to have been relatively high in 2021 too, with the local government sector's liquidity situation being strong due to the large-scale

central government allocations of 2020. This held back funding requirements in 2021, despite investment needs remaining considerable.

Kommuninvest grew strongly after the financial crisis of 2007–2008 and has since continued to increase its market share. In 2017–2021, Kommuninvest's market share increased from 50 percent to 58 percent. Over the same period, financing via the banking sector and bilateral parties decreased from 17 percent to 12 percent of the sector's borrowing. About 20 municipalities/regions and a handful of municipal companies are currently active in the capital market. The issuance of local government bonds and commercial papers accounted for 30 percent of the sector's borrowing in 2021, a share that has been relatively constant in recent years.

Over the period 2017–2021, growth in the sector's loan debt averaged 7 percent. Over the same period, Kommuninvest's lending grew by an average 11 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 2021, nor the municipalities' and regions' own annual reports were available. Values and shares for 2020 have been adjusted in accordance with the municipalities' and regions' own Annual Reports.

## Forms of local government funding

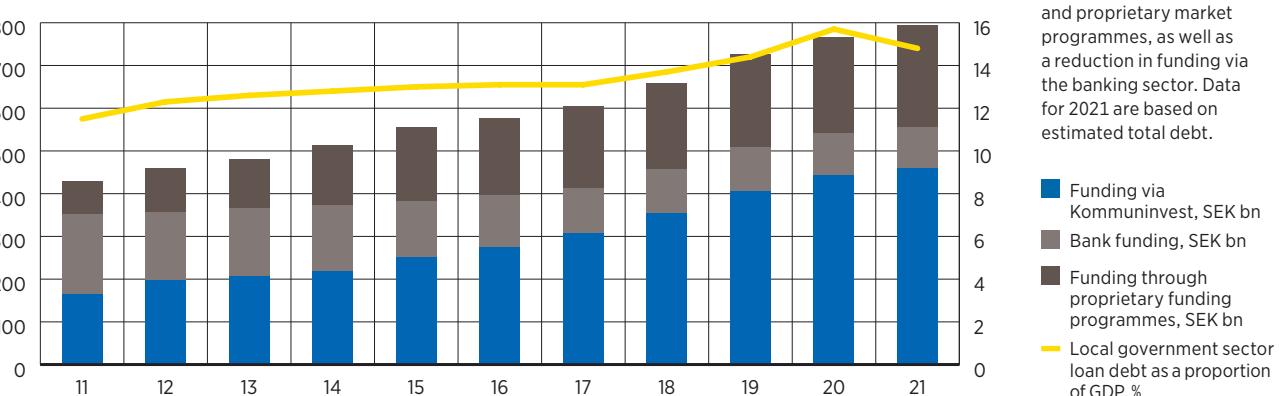
Swedish municipalities and regions have access to three main sources of loan financing:

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

## The local government sector's loan debt and forms of financing

2011–2021

SEK bn



The local government sector's funding over the past decade is characterised by an increased proportion of funding via Kommuninvest and proprietary market programmes, as well as a reduction in funding via the banking sector. Data for 2021 are based on estimated total debt.

- Funding via Kommuninvest, SEK bn
- Bank funding, SEK bn
- Funding through proprietary funding programmes, SEK bn
- Local government sector loan debt as a proportion of GDP, %

# Loans that meet customers' needs

**In 2021, Kommuninvest's lending grew to SEK 460.7 (442.8) billion. The local government sector's strong liquidity dampens its funding needs. The sector's borrowing is increasing, but at a slower pace than last year. Kommuninvest's market share is holding steady at 58 percent. At the end of 2021, Kommuninvest had a total of 904 (912) 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 market players, Sweden's municipalities and regions were able to efficiently meet their funding needs in 2021. Kommuninvest offers loan products for which capital is tied up for short or long periods, at fixed or variable interest rates, as well as loans of complete or partial termination.

Lending growth has partially recovered in 2021 relative to the second half of 2020. Two factors continuing to affect growth are the sector's favourable liquidity due to extensive central government allocations during the corona pandemic, as well as a more challenging competitive position relative to customers with their own funding programmes because of the squeezed interest rate situation.

The Riksbank's purchases of local government bonds have resulted in lower interest rates, but also to a decrease in the difference between Kommuninvest's prices to customers and the prices at which customers can themselves borrow on the capital market.

At the end of the year, lending amounted to SEK 460.7 (442.8) billion. Kommuninvest's competitiveness, expressed as the percentage of accepted bids, has remained strong. The acceptance rate was 98 (98) percent. However, the bid statistics do not reflect funding by Kommuninvest's members through their own funding programmes. Of the new lending and renegotiations of existing loans for the year, 89 (89) percent comprised loans with capital tied up for more than one year and 11 (11) percent with capital tied up for one year or less.

Loans with capital tied up for one to three years accounted for 20 (26) percent of the total volume. At the end of 2021, the lending portfolio consisted of 47 (49) percent loans with fixed interest and 53 (51) percent loans with variable interest rates.

## Increased volumes of Green Loans

The volume of Green Loans granted, financing for municipal investment projects promoting the transition to low carbon emissions and sustainable growth, increased over the year.

At the end of 2021, Green Loans had been granted for SEK 83.5 (74.7) billion. The corresponding amount for Green Loans disbursed was SEK 60.2 (41.0) billion. The proportion of Green Loans in relation to total lending is based on disbursed volumes and amounted to 13 (12) percent. More information about Green Loans can be found on pages 18–19 and on page 24.

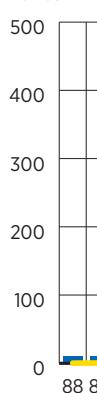
## Social sustainability loans

As of 30 March, the process of developing a loan product for social sustainability, initiated in 2019 together with a small group of members and customers, transitioned from a "pilot launch" to a launch for all customers. At the end of 2021, SEK 614 million in Social Sustainability Loans had been granted to 7 projects and to 6 municipalities. The corresponding amount for disbursed Social Sustainability Loans was SEK 207 million. More information about Social Sustainability Loans can be found on pages 22–24.

## Number of members and lending volume

1988–2021

Number



SEK bn

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

- Number of members of the Kommuninvest Cooperative Society
- Lending (nominal value), Kommuninvest i Sverige AB



## Developed support in financial decisions

Over the year, Kommuninvest continued to develop the support offered to customers/members in making financial decisions. The purpose is to promote good financial management and to build up a knowledge and awareness of specific issues. This development has occurred in close dialogue with customers/members and relevant organisations. The material and the advisory approach, in which financial advisers assist with in-depth analyses, have been strengthened in four areas. These address owning or leasing operational premises, guarantee fees, governance in financial balance and liquidity planning.

**To own or rent.** Municipalities and regions are generally able to opt to build, own and operate their own operational premises. Today, however, there is also often the option of renting from a private player. To be able to make well-founded decisions, a thorough analysis is required. In April, a focus report was published regarding how the options of owning or renting premises compare in terms of both the income statement and balance sheet. In October, a calculation model was launched enabling users to compare, by means of a concrete calculation, the cost of constructing, owning and operating premises with the cost of leasing long term from a property company.

**Guarantee fees.** Public Housing Sweden, SALAR and Kommuninvest have produced an updated guide for determining guarantee fees for municipal housing companies. After a lengthy collaboration process, which involved revising and expanding an earlier version from 2012, the updated guide was published in September. To some extent, the guidance is also applicable to other types of municipal/regional companies. The material comprises the guide

itself, as well as continuously updated reference information based on relevant market data.

**Control in financial balance.** Financial management is of great importance in safeguarding long-term sustainability in the local government sector's finances. A thorough analysis provides a solid foundation for effective management. In September, a focus report was published which, among other things, emphasised the importance of seeing the big picture and comprehending the long-term perspective. In December, a calculation model was presented that can be used to take a holistic approach in the analysis of short- and long-term financial management. Applying certain basic assumptions, plans and forecasts, it is possible to study how the key figures interact with one another in different scenarios.

**Liquidity planning.** In November, a new question guide on the topic of liquidity planning was launched. It is mainly based on in-depth interviews with those responsible for liquidity planning in 26 municipalities and regions. Based on five different questions, the guide collates sound advice for a well-functioning and flexible liquidity planning. It is aimed both at those with little experience of liquidity planning, as well as at those who seek to develop and/or quality assure their liquidity planning. The guide is partly related to the liquidity and investment modules in Kommuninvest's digital tool, KI Finans.

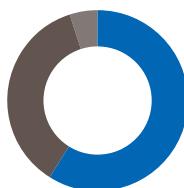
The use of support in financial decisions is continuously reviewed. This is to be able to make continuous improvements and to ensure that the support continuously generates added value for customers/members.

# Significant borrower with highest credit rating

**Kommuninvest borrows money in capital markets in Sweden and internationally to fund its lending to municipalities and regions. The funding operations functioned well over the year, with demand for Kommuninvest's bonds being favourable. The members' joint and several guarantee makes Kommuninvest a safe option for investors. At the end of the year, total funding amounted to SEK 506.7 (492.9) billion in nominal terms.**

## New funding by currency\*

2021 (2020)



\*excl. commercial paper funding

## New funding by programme\*

2021 (2020)



\*excl. commercial paper funding

## Focus on benchmark funding

Our strategic funding markets are the SEK, USD and EUR markets, both in terms of traditional funding and what is termed as sustainable funding. 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.

Over the year, funding of SEK 119.9 (131.4) billion was raised in bonds with maturities of more than one year, of which SEK 64.7 (68.7) billion was issued within the Swedish Benchmark Programme. At year-end, an amount of SEK 287.1 (259.3) billion was outstanding in this programme. In addition to this, funding with potential premature redemption within one year was agreed, corresponding to SEK 6.8 (9.5) billion. Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 47.1 (65.0) billion. Previously issued funding of SEK 9.4 (8.7) billion was repurchased and SEK 168.4 (129.4) billion matured.

During the year, two bonds with a new maturity were issued within the Swedish Benchmark Programme, which now encompasses a total of nine bonds outstanding. In the international market, five major benchmark funding procedures were conducted, all in USD, with one being a Green Bond. A total of three Green

### Purchases of Kommuninvest bonds by the Riksbank

At the end of April 2020, the Riksbank expanded its QE programme to also include local government bonds. In 2021, the Riksbank acquired local government bonds on 45 different occasions for a total SEK 64 billion, of which SEK 60.2 billion involved purchases of the Company's outstanding bonds. At the end of 2021, the Riksbank's total purchases of local government bonds amounted to SEK 109 billion, of which SEK 100.8 billion comprised bonds issued by Kommuninvest.

Bonds were issued, facilitating the financing of environmentally oriented investment projects in the Society's member municipalities and regions.

## Further development of the funding operations

Kommuninvest's greatest source of financing is its Swedish Benchmark Programme. During the spring of 2020, the issue procedure within the programme was developed with issues taking place through weekly auctions, rather than on request. In 2021, Kommuninvest issued its first new bond by means of the new procedure. The change has been well received by the market.

In November 2021, it was decided that Kommuninvest would leave the tactical Uridashi funding market. The Company has long benefited from the specific opportunities offered by the Japanese Uridashi market. In recent years, however, the importance of this market has diminished and, at the end of 2021, Uridashi accounted for only 1 percent of Kommuninvest's funding portfolio. The decision represents part of a continuous effort to optimise the funding strategy and to concentrate funding to strategic markets.

## 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 ensure that our commitments towards our customers are met, even in periods of stress in the financial markets, Kommuninvest maintains a liquidity reserve. The reserve comprises short-term investments with very high credit ratings. Good liquidity contingencies were maintained during the year. At year-end, the reserve amounted to SEK 53.6 (59.6) billion, equivalent to 12 (14) percent of the lending volume.

## Reserve with high credit quality and low risk

The starting point for the liquidity strategy is a good matching of assets and liabilities. Kommuninvest also maintains a liquidity reserve, the purpose of which is to safeguard commitments during periods of high financial stress. The scale of the liquidity reserve is adapted according to funding maturities, for example, and external factors, such as exchange and interest rate fluctuations. In accordance with the 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. Accordingly, the liquidity reserve is purposefully designed to ensure preparedness under turbulent market conditions.

## Effective and conservative management in focus

In 2021, asset management activities were characterised by a liquidity reserve comprising highly tradable assets of superior credit quality. Direct investments are made primarily in securities issued by sovereigns or central banks, multilateral development banks and subsidised lenders<sup>1</sup>. At the end of 2021, 93 (95) percent of the reserve was invested in securities with the highest possible creditworthiness. Also, 69 (75) percent consisted of investments in securities issued by issuers in Sweden.

See Note 3 for further information on the Company's credit risk exposure.

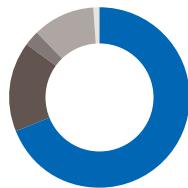
### Investment rules for the liquidity reserve

- 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 37–41 or Kommuninvest's website, [www.kommuninvest.se](http://www.kommuninvest.se).

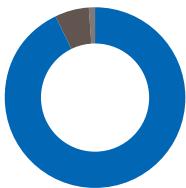
## Liquidity reserve distributed by country

2021 (2020)



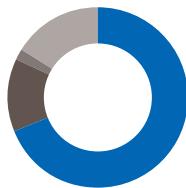
## Liquidity reserve distributed by rating category

2021 (2020)



## Liquidity reserve distributed by issuer category

2021 (2020)



# Streamlining for increased customer value

**The rapid digital development that took place during the corona pandemic has provided key gains in efficiency and sustainability. This applies to society as a whole, as well as to Kommuninvest's operations. At the same time, the new approach brought by digitalisation, with flexible, hybrid solutions, imposes considerable demands on management and control. Good transparency, active internal communication and a high degree of participation and co-determination are required.**

Digital development during the corona pandemic has generated clear gains for the Company in terms of efficiency. Travel times have been shortened and less time is spent bringing meetings to order. Dialogues with customers and members have been rationalised. Skills development has made use of digital formats to a greater extent. Environmental impact has decreased and the social consequences, particularly with regard to the balancing of employees' private and professional lives, have been positive.

Flexible working conditions have been developed to generate opportunities and added value for the Company and its employees. In consultation with the employee, managers determine where tasks are best performed on the basis of the employee's role, tasks and self-management capacity. To support this, a number of principles have been developed to develop a common view of a relatively complex area.

## Increased customer value through standardisation and streamlining

Due to the Government's proposed "risk tax", extensive analysis and preparation was initiated to be able to handle the possible additional expense of the tax. Among other things, these efforts, permeated by the principles of standardisation and streamlining, entailed implementing a thorough examination of the organisational structure, processes, working methods and staffing. This process resulted in a realignment programme for the Company. The organisational and employee-related parts of the programme, which have a step-by-step structure, began to be implemented in November. Implementing the programme is important to enhance the focus and suitability of the operations.

## Continuous learning and adaptability

With the standardisation and efficiency measures that are taken, the Company's investment in systematic skills supply, continuous learning and increased adaptability increases, if possible, further in importance. This is a necessary component for the realignment programme to work as intended. In 2022, detailed efforts will be required to map skills, establish plans for learning, and achieve the behavioural changes needed to translate knowledge and newly acquired skills into improved working methods and processes.

## Employee survey 2021

The 2021 employee survey gave an ESI (Employee Satisfaction Index) of 75 (76). The result is stable and high over time, indicating a good level of job satisfaction in a well-functioning workplace.

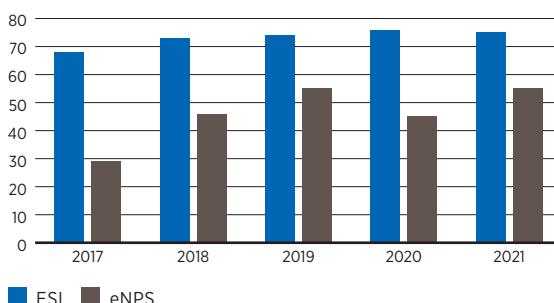
In the same survey, the employee-Net-Promoter-Score (eNPS) index increased by 10 units from 45 to 55. This is deemed a very good value, with a high proportion of ambassadors and a low proportion of critics.



**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

19 March 2021



# Financial position

**At the end of 2021, equity in the Company amounted to SEK 9,622.3 (8,704.2) million, following Group contributions of SEK 488.0 (225.9) million paid to the Kommuninvest Cooperative Society. The total capital base was SEK 9,399.2 (7,376.6) million, which gave a total capital ratio of 397.1 (302.5) percent.**

At the end of the period, the total assets amounted to SEK 524,261.7 (527,363.6) million, with lending to municipalities and regions accounting for most of the assets. At the end of the year, lending amounted to SEK 460,650.3 (445,788.8) million.

## Equity

As per 31 December 2021, equity amounted to SEK 9,622.3 (8,704.2) million, following Group contributions of SEK 488.0 (225.9) million being paid to the Kommuninvest Cooperative Society.

On the closing date, the share capital amounted to SEK 8,975.0 (7,100.0) million, divided between 89,750,000 (70,999,720) shares. All share capital is attributable to the members of the Society and no shares are available for trade.

## Distribution of surplus in 2022

Pending a resolution by the Society's Annual General Meeting, the Society will distribute the surplus as interest on capital contributions and as refunds for the 2021 financial year. The proposed distribution of surplus amounts to SEK 472.9 (197.8) million. To cover this, the Company has posted Group contribution paid of SEK 488.0 (225.9) million in the accounts.

## Capital adequacy and leverage

The Company is well capitalised to withstand the operations' risks, with capital ratios exceeding the prescribed minimum requirements in Pillar I and the basic requirements in Pillar II by a good margin. Finansinspektionen (Swedish

Financial Supervisory Authority) does not impose any Pillar II guidance requirements at the individual company level – only at the Group level.

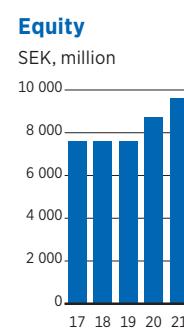
The core Tier I capital amounted to SEK 9,399.2 (7,376.6) million, entailing a core Tier I capital ratio of 397.1 (302.5) percent. The Company's capital base consists solely of core Tier I capital and the total capital ratio also therefore amounts to 397.1 (302.5) percent. For further information, see Note 3.

At the close of 2021, the Company had a leverage ratio of 15.36 (10.60) percent.

## Rating

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody's. In December 2021, the rating agencies confirmed the Company's credit rating, with continued 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.

Kommuninvest's "ESG ratings" are also high. The rating by the ISS-Oekom institute is B– (Prime), the rating from Sustainalytics is 9.1, that is, "Negligible ESG risk" and the rating from MSCI is AA. The results show that Kommuninvest belongs to the group of financial institutions whose operations are considered least exposed to sustainability risks.



## Comments on the accounts

Pages 53, 55 and 57 present comments to the income statement, balance sheet and statement of changes in equity. These comments form part of the Board of Directors' Report.

# Proposed distribution of earnings

*The Board of Directors proposes that:*

	SEK
Net profit	375,602,329
Profit or loss brought forward	229,535,157
<b>Total</b>	<b>605,137,486</b>

*Be appropriated as follows:*

To be carried forward	605,137,486
-----------------------	-------------

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 397.1 (302.5) percent, compared with the requirement, including buffer requirements and the leverage ratio requirement in particular, of 85.3 (10.5) percent. The leverage ratio amounts to 15.36 percent, compared with the legal requirement of 3 percent introduced in June 2021.

The capital base amounts to SEK 9,399.2 (7,376.6) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 189.3 (195.1) million. A specification of items can be found in Note 3, see section Capital adequacy. The Company has posted Group contribution paid of SEK 488.0 (225.9) million in the Kommuninvest Cooperative Society which has been recognized against unrestricted equity.

Kommuninvest's financial position does not give rise to any assessment other than that Kommuninvest can be expected to fulfil its obligations in both the short and the long term. For information on Kommuninvest's net profit and general position, please refer to the income statements and balance sheets with associated comments on the financial statements.

For further information, see also Note 12.

# Low risk tolerance and effective risk management

**The Company's principal assignment is to ensure access to stable and efficient funding for the local government sector. This entails raising funds on the financial market, in accordance with customers' needs. The operations shall apply a low level of risk-taking, with risks only being accepted to be able to fulfil the local government debt office assignment. Presented below is a comprehensive overview of the Company's targets, principles and methods for managing risk.**

## Risk management and risk exposure in 2021

In December, the Riksdag (Swedish parliament) adopted the Government's proposal for a risk tax for certain credit institutions. The tax was introduced on 1 January 2022 with a structure under which Kommuninvest is fully eligible. For Kommuninvest, this is estimated to entail an additional expense of about SEK 257 million in 2022. This is a heavy burden to manage. At the same time, it was explained that the stance of the Riksdag was that Kommuninvest should be exempt from the tax as of 1 January 2023. This is partly on the grounds that Kommuninvest, in its capacity as a low-risk institution, does not constitute the risk to society intended to be addressed by the Government's proposal. Kommuninvest has conducted extensive analysis and preparations to ensure that the operations are able to manage the risk tax. A key component for 2022 is stricter conditions within the framework of the cooperative society. Another component is about reducing the Group's cost level, excluding the risk tax, by means of efficiency enhancements and savings.

The Company takes economic, social and environmental sustainability into account throughout its operations, in terms of both the direct and indirect impact. From the perspective of risk, the focus during 2021 was on the indirect risks and their possible impact on confidence in the Company. Efforts have been made to ensure that sustainability is taken into account in the risk assessments, primarily with regard to risk in credit provision and counterparty risk.

Risk management has continued to be affected by the corona pandemic. At an overarching level, the Company can be said to have coped with the crisis well, with favourable access to liquidity being maintained throughout the corona pandemic. The Company has not suffered any credit losses. In 2020, the local government sector achieved a financial surplus of SEK 68 billion, its strongest to date. This is mainly explained by the increased central government allocations to municipalities and regions due to the corona pandemic. The favourable outcome contributed to improved self-financing and to debt increasing at a lower rate compared with the preceding year.

Regarding the balance between working from home or at the office, the Company has continuously followed the advice and recommendations of the Public Health Agency of Sweden.

## Risk profile

Kommuninvest plays a central role in the financing of investments by Swedish municipalities and regions. The Company raises funding in the financial market on the basis of customers' needs. 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. 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 risk level may not exceed a permissible level of risk-taking for a member in accordance with the Swedish Local Government Act. 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. For an overview of the types of risks that Kommuninvest regularly manages and assesses, see page 41. 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, risk appetite indicators or other measures are applied.

## Risk policy

The Company's attitude towards risk is set out in the Board of Directors' risk declaration, which is part of the Board of Directors' risk policy. The risk declaration is divided into four areas of limitation (pillars): equity, net profit, liquidity and confidence. Each of the pillars has an established qualitative risk appetite against which all risk is measured. The risk appetites 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. 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 declaration**

RISK DECLARATION	The Company's level of risk-taking shall be low. Risks shall be accepted only to be able to fulfil the mission as local government debt office. Other risks are to be eliminated. The risks that are accepted must be clarified, limited and continuously assessed. A sound risk culture safeguards the Company's low risk profile.			
PILLAR	EQUITY	NET PROFIT	LIQUIDITY	CONFIDENCE
RISK APPETITE	The Company shall maintain a favourable capital situation to be able to meet both the members' financing needs, as well as regulatory requirements. This is achieved through foresight, capital planning and risk management.	The Company shall achieve an operating income covering the Society's operating expenses and interest on the owners' share capital. This is achieved through good cost control, sufficient lending margins and fees. The Company has no vested interest in generating a profit.	The Company shall meet the members' financing needs. This is achieved through good planning, diversified funding, maturity matching, efficient security management and a highly liquid reserve.	The Company shall maintain a high degree of trust among employees, customers, members and other stakeholders. This is safeguarded by means of a sound risk culture based on local government values, regulatory compliance and good internal governance and control.

**Equity**

The Company's Board of Directors has determined that the Company's capital base shall cover the Company's internally estimated capital requirements or the regulatory capital requirement, whichever is highest, by a margin. This margin takes into account a number of uncertainty factors that may adversely affect the Company's capital ratios, such as stronger growth in lending than forecast. The scale of the capital target in quantitative terms is determined annually within the framework of the Company's internal capital and liquidity assessment (ICLA).

**Net profit**

The Company has no vested interest in generating profit. Its purpose is to provide economic benefit to members and, following any necessary consolidation, profits accrue to the members. Pricing is based instead on the requirements for financial results stated in the ownership directives. These requirements mean that the margin between funding and lending rates must be sufficient to cover the operating expenses of the Company and the Society. The margin shall also provide an opportunity for a return on members' contribution capital.

**Liquidity**

The purpose of the Company's liquidity operations is to meet known and forecast liquidity needs. Liquidity preparedness shall also be favourable, both under normal market conditions and during periods of stressed liquidity. Liquidity management is designed to safeguard the Company's capacity to meet all of its payment commitments on time, without significant additional expenses, and to ensure that liquidity is sufficient to be able to extend existing loans. This is ensured through sufficient diversification of funding sources, taking into account the number and types of counterparties, types of financial instruments, maturities, currencies and geographic markets.

**Confidence**

The Company's business concept builds on society and actors in the finance market perceiving the Company as a "stable, efficient and knowledgeable player", whose role as a local government debt office benefiting society provides the Swedish local government sector the most efficient financial management possible, focusing on financing. The Company's efforts to build confidence in the operations build on a risk culture founded on the values of local government, regulatory compliance and good internal governance and control.

**Risk organisation**

The overall responsibility for the Company's risk framework lies with the Company's CRO. The manager of each individual area of operations is responsible for risk management and control within those 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 President and 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 and Liability Committee (ALCO) is responsible for preparing matters concerning market risk and liquidity requiring a decision by the Board of Directors or the President and 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.

Within the Company there are three independent control functions; the Risk and Control department, Regulatory compliance and the Internal Audit. Risk and Control and Regulatory 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 on page 39.

### 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 President and CEO. The department is headed by the CRO, who is appointed by the President and CEO who also reports the appointment to the Board of Directors.

The department is responsible for following up that risks are reported correctly and in accordance with applicable external and internal regulations, regularly performing stress tests, as well as leading and coordinating efforts related to operational risks. It is also responsible for ensuring that all relevant information is available to the Board of Directors and the Management when making decisions on risk policy, risk appetites and risk appetite indicators.

### Compliance

The Company's compliance function is an independent control and support function and reports to the President and CEO. The head of the compliance function is appointed by the President and CEO and reports on compliance matters to both the President and CEO, as well as to 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 Team 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

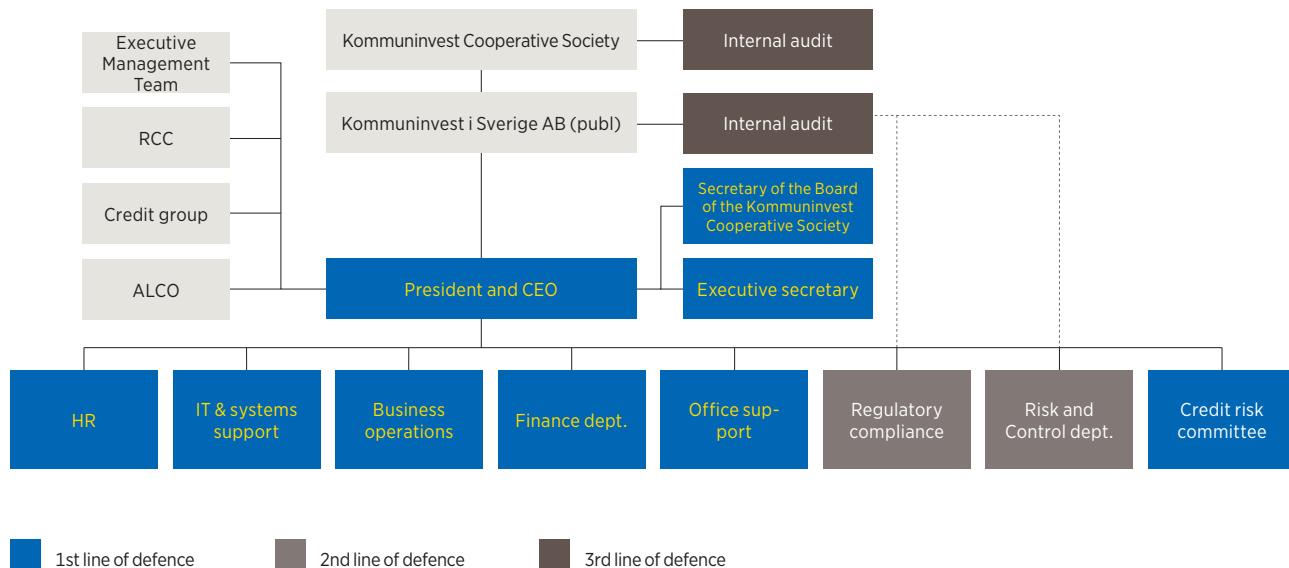
governance processes and for the operations being conducted in accordance with the Company's internal regulations. The internal auditor reports to the Board of Directors and the President and CEO on an ongoing basis. Each year, the Board of Directors establishes a plan for the work of the internal audit. The President and CEO reports to the Board on measures implemented as a consequence of the internal audit unit's reports.

### Risk management

To keep the operations within the established risk appetite, risk appetite indicators or other measures are applied, limiting the Company's risks. The risk appetite indicators are quantitative and designed to support the established risk appetite within each pillar. The level of the risk appetite indicators are dependent on both Company-specific factors (financial position, strategic targets, legal requirements, risk exposure, etc.), as well as on anticipated market conditions. Risk appetite indicators may be determined by the Board of Directors, the President and CEO, the CRO and/or others responsible (referred to as "risk owners") and constitute the various limits within the Company's risk framework.

In the Company's risk management, the qualitative risk appetites are connected to risk categories. Risks are categorised with the purpose of connecting the risk declaration and the quantitative risk appetites with the generally accepted risk taxonomy. They also symbolise different areas of responsibility within the Company. The connection is based on the pillars that potential risk would primarily affect if realised. The overarching risk categories managed by the Company are credit risk, market risk, liquidity risk, operational risk, strategic risk, regulatory compliance risk, stakeholder risk and sustainability risk. The Risk categories diagram on page 41 defines all of the risk categories managed by the Company. A detailed description of how the Company handles each risk can be found in Note 3.

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



## Capital management

The Company must retain sufficient capital to be able to meet both internally estimated capital requirements and regulatory requirements. Sufficient capital adequacy is important for lending to Sweden's municipalities and regions to be able to continue growing and to maintain the confidence of the Company's stakeholders, particularly investors.

Kommuninvest is required to comply with the Supervisory Regulation (EU) No. 575/2013, also known as the CRR (Capital Requirements Regulation), which is directly applicable in Sweden and the Capital Adequacy Directive EU 2013/36, which is implemented in Sweden through legislation and regulations issued by the Swedish Financial Supervisory Authority (Finansinspektionen). In the spring of 2019, a decision was made to amend the regulations, with the amendments being referred to as the "EU bank package". Several of these regulatory changes, often referred to as CRR 2, came into effect on 28 June 2021.

On 20 November 2020, the Swedish Financial Supervisory Authority (Finansinspektionen) announced its adoption of an amended application of the capital requirements for Swedish banks to adapt these requirements to the EU's bank packages. Today, the Swedish Financial Supervisory Authority (Finansinspektionen) determines specific capital base requirements in Pillar II. The Swedish Financial Supervisory Authority (Finansinspektionen) can also provide Pillar II guidance specifying a level of capital it believes the institution should maintain in addition to the requirement.

Separate requirements and guidance are provided regarding risk-based capital requirements and capital requirements for the leverage ratio, respectively. Risk-based capital requirements and guidelines are stated as a percentage of risk-weighted assets, leverage ratio capital requirements are stated as percentages of the exposures. The Pillar II guidelines are based on the outcome of stress tests and other institution-specific assessments. The capital planning buffer is removed because its purpose must instead be fulfilled through Pillar II guidance.

The Board of Directors has set a principal capital target for the Company, exceeding by a margin, the highest of the internally estimated capital requirements and the Swedish Financial Supervisory Authority's (Finansinspektionen) overall capital base requirement for Kommuninvest i Sverige AB at the Group level. The scale of the capital target in quantitative terms is determined annually within the framework of the Company's internal capital and liquidity assessment (ICLA).

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

The Society is responsible for the Group's capitalisation. Kommuninvest does not build up capital by retaining earnings, but by means of member contributions from the members of the Society, who are also the Company's owners. The Annual General Meeting of the Society adopts a new capital plan once per term of office, that is, every four years. At the Annual General Meeting of the Society in April 2020, a new plan for Kommuninvest's build-up of capital for 2021–2024

was adopted. The plan makes it possible for the Board of Directors of the Society to request approximately SEK 1 billion annually from the Society's members until 2024.

### *Capitalisation 2021*

Over the year, the Society's members increased the participation capital in the Society by SEK 850 million. In November, the Society acquired shares in the Company for SEK 930 million, at a premium of 120 percent. Consequently, the share capital in the Company increased by SEK 775 million and unrestricted equity increased by SEK 155 million.

### *Capital plan and internal capital assessment*

The Group's capital planning is integrated with the Company's strategic operational planning and internal capital and liquidity assessment (ICLA). The plans look five years ahead and the capital requirements of the Company and the Group are analysed in the process, based on forecasted growth, operational changes affecting capital and future regulatory requirements. The objective of this capital planning is to ensure that the capital base in the Company and the Group is large enough to bear the risks and regulatory requirements stemming from the implementation of the business plan. The forecasts are based on the Company's base scenario. Stress tests are also performed to determine the scale of the capital buffers that the Company needs to also be able to cope with deviations from the plan. The internal capital assessment identifies all significant risks within the Group and the capital requirements for these risks are evaluated and quantified. The internal capital evaluation is compiled in a report that is submitted to the Swedish Financial Supervisory Authority (Finansinspektionen) on request. The internal capital assessment conducted at the end of the year demonstrates that the Company meets all of the regulatory capital requirements, as well as its internal capital targets, see Note 3.

### **Leverage ratio**

Effective 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. Since 2014, the leverage ratio has been reported to the relevant authorities.

A specific leverage ratio regulation is applied when calculating the leverage ratio for Public Development Credit Institutions (PDCI), the category to which Kommuninvest belongs. For Kommuninvest, this means that all lending to members and their companies may be deducted from the exposure measure applied in calculating the Company's leverage ratio.

**For more detailed information** as well as quantitative data regarding the Company's risk exposure, please see Note 3 and the separate Risk and Capital Management Report, which is available at [www.kommuninvest.se](http://www.kommuninvest.se)

## Kommuninvest's risk management in brief

PILLAR	RISK CATEGORY	RISK DEFINITION
EQUITY	<b>Strategic capital risk</b>	The risk of inappropriate operational planning and the Company's role in its capital planning.
	<b>Credit market risk</b>	The risk of loss or a negative effect on the Company's income as a result of changes in basis or credit spreads.
NET PROFIT	<b>Issuer risk</b>	The risk that the issuer of a security fails to repay its full undertaking on maturity.
	<b>Counterparty risk</b>	The risk of a counterparty in derivative contracts failing prior to the final settlement of cash flows. The risk also includes potential concentrations among individual counterparties.
	<b>Other price risks</b>	The risk that a change in the pricing situation of underlying assets, such as shares or share indexes, will affect values of assets and liabilities negatively.
	<b>Interest rate risk</b>	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.
	<b>Foreign exchange risk</b>	The risk of a negative effect on the Company's income as a result of exchange rate fluctuations.
LIQUIDITY	<b>Liquidity risk</b>	The risk of not meeting a payment commitment on the due date.
	<b>Structural liquidity risk</b>	The risk of the Company not having financed its long-term commitments in advance.
	<b>Local government debt office liquidity risk</b>	The risk of having to disapprove financing to a member.
CONFIDENCE	<b>Operational risks</b> - Personnel risk - Process risk - IT and systems risk - External risk	The risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events, including legal risks.
	<b>Stakeholder risk</b>	The risk of a ratings agency, customer, member, employee, investor, mass media organisation, national assembly, central government or other stakeholder losing confidence in the Company and its business concept.
	<b>Sustainability risk</b>	The risk of the Company directly or indirectly negatively affecting or being affected in the areas of the environment and climate, corruption, human rights, working conditions or business ethics.
	<b>Risk in credit provision</b>	The risk that a credit counterparty is unable to meet its obligations.
	<b>Compliance risk</b>	The risk of the Company failing to comply with current external or internal regulations and thereby risking being sanctioned, suffering losses or impairment or loss of reputation.
	<b>Strategic risk</b>	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 sector.

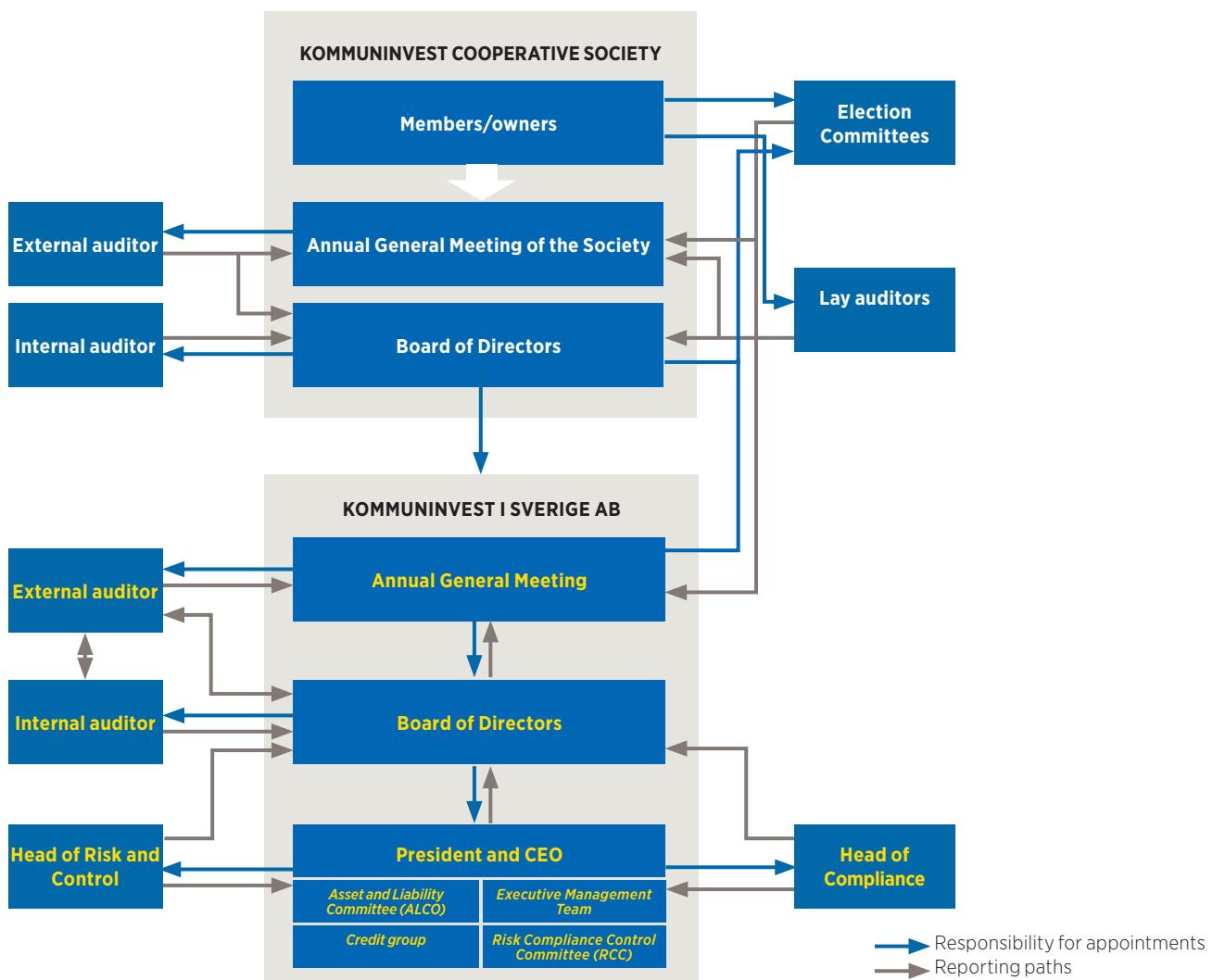
# Focus on governance and control

**Kommuninvest i Sverige AB is a Swedish public limited liability company and a wholly-owned subsidiary of the Kommuninvest Cooperative Society. Good governance and control are crucial to the Company as it is owned by Swedish municipalities and regions, with a public mandate.**

Together with the Society and Kommuninvest Fastighets AB, the Company forms a financial group of companies, the Kommuninvest Group (the Group). Since the Company issues debt instruments that are listed for trading in a regulated market, the Company is legally bound to present a corporate governance report. Since the Company's shares have not been admitted for trading on a regulated market in Sweden, the Company is not subject to the Swedish Code of Corporate Governance. Nor, in the Company's view, are the principles developed by the local government sector for the governance of companies owned by municipalities and regions applicable due to the financial focus of the operations.

## Regulatory framework for corporate governance

The Companies Act includes basic regulations for the organisation of companies. These include the requirement for a Board of Directors appointed by an Annual General Meeting. In turn, the Board of Directors appoints a Chairman, who is to lead the work of the Board, and a President and CEO, who is responsible for ongoing management in accordance with the Board of Directors' guidelines and instructions. The Annual General Meeting shall also appoint an auditor to monitor operations and check the accounts.



As a credit market company, the Company shall adhere to the Banking and Financing Business Act and the general advice and regulations issued by the Swedish Financial Supervisory Authority (Finansinspektionen) and its equivalents within the European Union, the ESAs (European Supervisory Authorities).

### **Principles of corporate governance**

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

According to its statutes, the Society shall not be operated with the purpose of generating profit. Once consolidation needs have been satisfied, all surpluses shall accrue to the members. The members themselves determine the focus of the operations and no individual member has any decisive influence in isolation. At the Annual General Meeting of the Society, 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 CEO and other internal regulations adopted by the Board of Directors.

### **Owner directives from the Annual General Meeting of the Society**

The Board of Directors of the Society develops 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 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.

### **Targets for operations**

The Company's overarching objective is to generate the greatest possible benefit for the members of the Society. Routes towards this could involve maintaining a high proportion of satisfied customers, accounting for a large proportion of members' loan financing, maintaining a high level of cost efficiency and having the financial strength to support the long-term focus of the operations.

### **Remuneration principles**

The Board of Directors sets the remuneration principles applicable within the Company. The principles are also reviewed regularly. The Company is not deemed to require a specific Remunerations Committee. These duties are performed instead by the Chairman of the Board.

Remunerations shall engender conditions to attract, retain and motivate employees so that operations can be conducted in an optimal manner. The basic principle is that remunerations and other terms of employment should be in-line with the market and should consist solely of fixed wages. For this reason, no variable remunerations are paid. Wages are set taking into con-

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

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

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

sideration the tasks involved and their degree of difficulty, responsibilities, educational requirements and how the employee fulfils the demands imposed and contributes to improvements in operations.

### **Audit Committee**

Within the Company, the tasks of an Audit Committee are performed by the full Board of Directors. In 2021, the Audit Committee met on four occasions. The matters covered included a risk control of the 2020 annual accounts and 2021 interim accounts, including the external auditors' audit report, the reports presented by the internal audit, the 2022 annual plan for the internal audit, and the operations plan and budget for 2022.

### **Shareholders and Annual General Meeting**

The Society owns all of the shares in the Company and exerts its influence at the Annual General Meeting. The Annual General Meeting of the Company was held online on 15 April 2021, in immediate connection with the Annual General Meeting of the Society.

The Annual General Meeting of the Company approved the Annual Report for 2020 proposed by the Board of Directors and the President and CEO, and discharged the members of the Board of Directors and the President and CEO from responsibility. Furthermore, the Annual General Meeting approved the distribution of earnings proposed by the Board of Directors and the President and CEO.

At the Annual General Meeting, Kurt Eliasson stepped down as a regular Board Member. Mats Filipsson and Anette Henriksson were elected as new regular Board Members, with the other regular Board Members being re-elected. There are no members of the Company's Executive Management Team on the Board of Directors.

The Annual General Meeting also made decisions on the following matters:

- Adoption of owner directives.
- Determination of a formal work plan for the Election Committee.
- Authorisation for the Board of Directors to implement new share issues during the financial year.

### **Election Committees**

There is an Election Committee for the Society's companies: Kommuninvest i Sverige AB and Kommuninvest Fastighets AB. The Election Committee bears the ultimate responsibility for the preparation of appointment decisions through a structured and

**Election Committee of the companies owned by the Society 2021/2022**

Göran Färm (S), Municipality of Norrköping, Chairman  
Linda Frohm (M), Municipality of Kalix, Vice Chairman  
Ewa-May Karlsson (C), Region Västerbotten  
Pierre Sjöström (S), Municipality of Staffanstorp

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

transparent process allowing the shareholder to give its views on proposals and to submit its own proposals regarding appointments and associated issues, thereby establishing favourable conditions for well-founded decisions. In accordance with the Election Committee's instructions, the composition of the Board of Directors shall reflect the nature, scope and complexity of the operations. At least one member shall be, or have been, an elected representative in a member municipality or region and possess a knowledge of the local government sector and the political process.

The Election Committee of the companies owned by the Society shall represent the Board of Directors of the Society and consists of members elected by the Board from its own membership. The Board of Directors of the Society has resolved that its working committee shall act as the Election Committee.

**Board of Directors of Kommuninvest i Sverige AB**

The Board of Directors of the Company bears the ultimate responsibility for its organisation and management. Each year, the Board of Directors establishes a formal work plan that, among other things, regulates the Board's tasks, reporting to the Board, the number of Board meetings and their regular agenda, as well as the assessment of the work of the Board of Directors and President and CEO.

Furthermore, the Board sets objectives and strategies for operations, is responsible for identifying and managing risks, and ensures that operations are conducted in compliance with the predetermined objectives. The Board is also tasked with preparing internal guidelines stating what reports are to be produced within the Company. The full Board is responsible for completing the tasks otherwise assigned to an audit committee. The rules of procedure are reviewed and adopted at least once a year.

**Chairman of the Board**

The Chairman of the Board is responsible for the work of the Board of Directors being well organised and efficiently conducted and for ensuring that the Board otherwise fulfils its duties. Among other things, the Chairman is required to encourage an open and constructive discussion among the Board, to ensure that the Board continuously updates and deepens its knowledge of the Company and its operations, to ensure that the Board has rules for identifying and dealing with conflicts of interest on the Board, and for receiving comments from the Parent Society and disseminating these within the Board. The Chairman of the Board shall also check that the Board's decisions are implemented efficiently, ensure that the work of the Board is

evaluated annually, and act as a discussion partner and support for the President and CEO of the Company.

The Chairman of the Board is also responsible for ensuring that the Company's remuneration policy and remuneration systems are independently reviewed and for monitoring the application of the policy.

**President and CEO**

The Board of Directors has adopted a set of instructions for the President and CEO, detailing his tasks and responsibilities. The President and CEO is to deal with the ongoing administration of the Company in accordance with the Board's guidelines. This includes drawing up a proposed operations plan, budget and annual/interim accounts. The President and CEO is responsible for appropriate systems and procedures being in place for reporting the financial situation and position to the Board of Directors. The President and CEO is also responsible for operations being conducted in adherence with current regulations and for determining guidelines and instructions regarding the various risks incurred in the operations.

**Board Members**

As per 31 December 2021, the Company's Board of Directors consisted of Ellen Bramness Arvidsson (Chairman), Lars Heikensten, Erik Langby, Kristina Sundin Jonsson, Catrina Ingelstam, Mats Filipsson and Anette Henriksson, as well as employee representatives Mattias Bokenblom and Kristin Ekblad. Kurt Eliasson stepped down as a regular Board Member in connection with the Annual General Meeting in April 2021. The members are presented on pages 45–46.

**Remunerations**

For 2021, the Annual General Meeting approved a fixed fee of TSEK 600 (600) for the Chairman of the Board. For the other Board Members, a fixed fee of TSEK 330 (330) was set.

The fees paid to Board Members totalled TSEK 2,484 (2,430) for 2021. No fees were paid to employee representatives. The combined fees are detailed in the table on page 45.

**Work of the Board of Directors in 2021**

In 2021, the Board of Directors held seven (seven) ordinary meetings, two (two) extraordinary meetings and one (one) inaugural meeting.

- Internal capital and liquidity assessment
- Risk framework
- Recovery plan
- Capitalisation issues
- Remuneration issues
- Updates of funding programmes
- Counterparty limits
- Employee survey
- Valuation principles
- Technical vision
- Establishment of expert group Welfare Economists
- Governance for sustainable financing programmes
- Risk tax for credit institutions
- Annual Report and interim reports

# Board of Directors of Kommuninvest i Sverige AB



**ELLEN BRAMNESS  
ARVIDSSON**  
*Executive Director of  
Strategy and International  
Affairs, Finans Norge*

**Elected:** Chairman since 2013. Vice Chairman from 2006 to 2013. Member since 2003.

**Education:** Cand. Oecon., Oslo University, Diploma in financial analysis, Stockholm School of Economics and FAF.

**Previous positions:**  
Chief economist, Insurance Sweden, Under Secretary and First Secretary at the Ministry of Finance.

**Other assignments:**  
Chairman, Norske Finansielle Referanser AS.



**CATRINA INGELSTAM**  
*Own consulting business  
Creatme AB*

**Elected:** Member since 2020.

**Education:** Master of Science in Business and Economics, Stockholm University

**Previous positions:**

Acting CEO Svensk Handel Fond-försäkring AB, CFO Dina Försäkringar, Internal Audit Manager Folksam Sak, CFO Folksam Group, Head of Product Development AMF Pension, Head of Administration AMF Fonder, Head of Division Fond/Finance Premium Pension Authority (PPM), Business Manager Equity Trading Skandia-Banken, Authorized Public Accountant EY, Board member (member of the Risk and Audit Committee) Sparbanken Sjöhärad AB, Board member (member of the Risk- and Capital Committee) KPA Pension, a number of assignments/board assignments in the financial sector.

**Other assignments:** Board member Svensk Handel Pension Tjänstepensionsförening, Chairman (Chairman Sustainability Committee) Sixth AP Fund, Board member (Chairman of the Audit Committee) Swedfund International AB, Board member (Chairman of the Audit Committee, Board Member Remuneration Committee) Orio AB, Board member Spiltan Fonder AB, Board member Regionernas Ömsesidiga Försäkringsbolag (LÖF).



**ERIK LANGBY**  
*Consultant*

**Elected:** Member since 2015.

**Education:** Stockholm University.

**Previous positions:**

Chairman of the Municipal Executive Board and Municipal Commissioner in Nacka, Chairman of the Association of Local Government Authorities in Stockholm County, Board Member SALAR, Chairman of the Regional Planning Board in the county council, Board Member Hegeli Public Affairs AB, Chairman of Healthcare and Welfare Committee of Norrtälje, Board Member HSB Omsorg AB, Chairman Texab AB, Chairman AB Solom, Board Member Dagens Samhälle AB, Chairman of Structural partnership of Stockholm.

**Other assignments:** CEO Jordnära Samhällsansvar AB, Board member of SKL International AB, Board member Atrium Ljungberg AB, Chairman of SigtunaHem, Chairman of Bostadsrätterna i Sverige Ekonomisk Förening, Chairman Tegelhätt AB and Chairman Municipal Council of Sigtuna Municipality, Senior Advisor Nacka-StrandsMässan AB.



**MATS FILIPSSON**  
*Consultant*

**Elected:** Member since 2021.

**Education:** Degree of Bachelor of Business in Administration and Economics, Stockholm University

**Previous positions:**

Debt Manager Swedish National Debt Office, Under Secretary Ministry of Finance, Technical Assistance Advisor International Monetary Fund, Chief Risk Officer Swedish National Debt Office, Senior Financial Officer World Bank.

**Other assignments:**  
Board Member Olle Enkvist Foundation.

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

Name	Position of dependence	Attendance, Board meetings 2021	Remuneration 2021, SEK	Remuneration 2020, SEK
Ellen Bramness Arvidsson	Independent	10 (of 10)	600,000	585,417
Lars Heikensten	Independent	9 (of 10)	330,000	321,250
Erik Langby	Independent	10 (of 8)	330,000	321,250
Kristina Sundin Jonsson	Independent	10 (of 10)	330,000	321,250
Catrina Ingelstam	Independent	10 (of 10)	330,000	233,750
Mats Filipsson	Independent, appointed in April 2021	8 (of 8)	233,750	-
Anette Henriksson	Independent, appointed in April 2021	8 (of 8)	233,750	-
Kurt Eliasson	Independent, stepped down in April 2021	2 (of 2)	96,250	321,250
Anna von Knorring	Independent, stepped down in October 2020	-	-	238,750
Johan Törngren	Independent, stepped down in April 2020	-	-	87,500
Mattias Bokenblom	Employee representative	9 (of 10)	Not remunerated	Not remunerated
Kristin Ekblad	Employee representative	9 (of 10)	Not remunerated	Not remunerated

# Board of Directors of Kommuninvest i Sverige AB



**ANETTE HENRIKSSON**  
CEO Locum AB, Head of Administration at The Property and Service Committee  
**Elected:** Member since 2021.

**Education:** Bachelor of Science in Public Administration, Lund University.

**Previous positions:**  
CEO Municipality of Lund, Deputy CEO Akademiska Hus, CFO Halland County Council.

**Other assignments:**  
Chairman of the Board, Terreno AB.



**LARS HEIKENSTEN**  
Chairman Fiscal Policy Council

**Elected:** Member since 2016.

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

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

**Other assignments:** Chairman Fiscal Policy Council Chairman Trygg-Stiftelsen. Member Royal Swedish Academy of Science, Member Royal Swedish Academy of Engineering Sciences, Member Skansen Foundation.



**KRISTINA SUNDIN JONSSON**  
Chief Administrator, Municipality of Skellefteå, President Skellefteå Stadshus AB

**Elected:** Member since 2018.

**Education:** Bachelor in Business Administration, Umeå University.

**Previous positions:**  
Certified public accountant, consultant KPMG AB, CFO Skelleftebostäder AB, Delegate of the Delegation of gender equality, Västerbotten County.

**Other assignments:** Chairman of the Association of Chief Executive Officers for Municipalities in Sweden, Board member Inera AB, Board member of Mistra research program Mistra Carbon Exit, Board member LTU Business AB, Board member LTU Holding AB.



**MATTIAS BOKENBLOM**  
Employee representative

**Elected:** Member since 2019.

**Education:** Licentiate degree in economics, Örebro University.

**Position at Kommuninvest:**  
Business Data Analyst.

**Other assignments:**  
Member of the local union.



**KRISTIN EKBLAD**  
Employee representative

**Elected:** Member since 2020.

**Education:** PhD in economics, Örebro University.

**Position at Kommuninvest:**

Business architect.

## AUDITORS FOR KOMMUNINVEST I SVERIGE AB

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 Society is also the appointed external auditor for the Company and Kommuninvest Fastighets AB. The purpose is to obtain more efficient auditing for the Group.

### External auditor

At the Society's 2020 Annual General Meeting, KPMG AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2024. KPMG AB has appointed authorised public accountant Anders Tagde as chief auditor. The auditor with overall responsibility meets the Board of Directors at least twice a year. Among Anders Tagde's other auditing assignments, ICA Banken and OK-Q8 Bank can be mentioned.

### Internal auditor

Effective from 2017, the Board of Directors of the Society appointed PwC (PricewaterhouseCoopers AB) as its internal auditing company, with authorised internal auditor Peter Nilsson as the internal auditor.

### Lay auditors

The lay auditors regularly meet the external auditors, the Chairman of the Board, the President and CEO, as well as other representatives of the Society. Where necessary, the lay auditors can initiate auditing measures additional to the normal statutory audit. At the 2020 Annual General Meeting of the Society, the following lay auditors for the Society were appointed for the period extending until the end of the 2024 Annual General Meeting: Anki Svensson (M), Municipality of Tyresö (re-elected) and Ambjörn Hardenstedt (S), Municipality of Svedala (newly elected). Barbro Hassel (S), Municipality of Skara, stepped down. The same individuals appointed as lay auditors for the Society were previously appointed as lay auditors for the Group as a whole. The 2020 Annual General Meeting of the Society resolved that the assignment of the lay auditors should focus solely on reviewing the Society and its operations.

# Executive Management Team

## Management of Kommuninvest i Sverige AB

The President and CEO of the Company leads, organises and develops the business in such a way that objectives set by the Board of Directors are achieved. Written instructions stipulate the division of labour between the Board of Directors and the President and CEO.

The President and CEO is responsible for keeping the Board of Directors continuously informed of changes to regulatory structures, the content of risk, compliance and audit reports and other significant events. The President and CEO's tasks include providing the Board of Directors with the necessary information and materials on which to base decisions.

The President and CEO is supported by the Executive Management Team. On 31 December 2021, in addition to the President and CEO, the Company's executive management consisted of Maria Viimne (Deputy CEO and COO), Patrick Nimander (CFO), Malin Waldenström (Head of Human Resources), Britt Kerkenberg (CRO), Jens Larsson (Chief Legal Officer) and Christofer Ulfgren (CIO).



**TOMAS WERNGREN,  
PRESIDENT AND CEO**

**Education:** University of Örebro and Stockholm University. B.A. Engineering, public administration.

**Previous positions:** Deputy CEO and CFO at Kommuninvest and Treasurer at SBAB, among others.

**Other assignments:** Board Member of Vasallen AB.

**Born:** 1961.

**MARIA VIIMNE,  
DEPUTY CEO AND COO**

**Education:** Mälardalen University, B.A. Economics. candidate. Stockholm University, Master of Laws. University of Rotterdam and University of Hamburg. European Master in Law & Economics.

**Previous positions:** Finance Group Director and Company Counsel at Kommuninvest, among others.

**Born:** 1970.

## Remunerations – Executive Management Team, Kommuninvest i Sverige AB (publ)

Name	Year	Basic salary	Benefits	Variable pay	Pension expense	Total, SEK
Tomas Werngren	2021	3,863,567	116,184	-	1,234,436	5,214,187
	2020	3,443,295	116,340	-	1,086,885	4,646,520
Maria Viimne	2021	2,222,580	-	-	711,619	2,934,199
	2020	2,181,037	-	-	699,059	2,880,096
Other Executive Management Team	2021	6,836,424	27,058	-	2,481,681	9,345,163
	2020	6,507,750	4,346	-	2,203,612	8,715,708
Employees who have a material impact on the Company's risk profile <sup>1</sup>	2021	20,315,639	52,703	-	5,116,425	25,484,767
	2020	21,447,914	12,800	-	5,606,080	27,066,794

1) In addition to the Executive Management Team. This group comprises 26 (26) employees with the following positions: Head of Communications, Head of Funding and Debt Management, Head of Lending, Financial Advisers, Head of Operational Control and Analysis, Head of Accounting, Back Office Manager, Head of Sustainability, Chief Legal Officer and Head of Compliance.

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

Kommuninvest's process for internal governance and control is based on the targets set for the operations having been designed to ensure appropriate organisation and effective management, an attentive risk awareness, reliable financial reporting, a good capacity to comply with external and internal regulations and the Company being afforded considerable trust in developing the quality and efficiency of its operations in line with demand from its owners and customers.

## Operational processes

An efficient process for internal governance and control requires clearly defined business processes. For Kommuninvest, operational processes are defined as the recurring and interconnected activities that apply data and resources to satisfy the needs of members and customers. Processes are divided into core processes, governing processes and supporting processes. Kommuninvest's core processes are: managing liquidity, managing lending and paying and settlement. The governing processes serve to support decisions regarding the Company's goals, strategies, rules and limits, and carrying out planning, management, improvement and review of the organisation's other processes. Supporting processes within the Company serve to sustain core processes, either directly or indirectly, to ensure that they function as well as possible.

## Targets and strategies

Long-term objectives and strategies for the operations are formulated in an annual strategic operations plan. In line with the

strategic course that has been set, initiatives are prioritised and implemented within the framework of the active operations plan targeting the operational objectives.

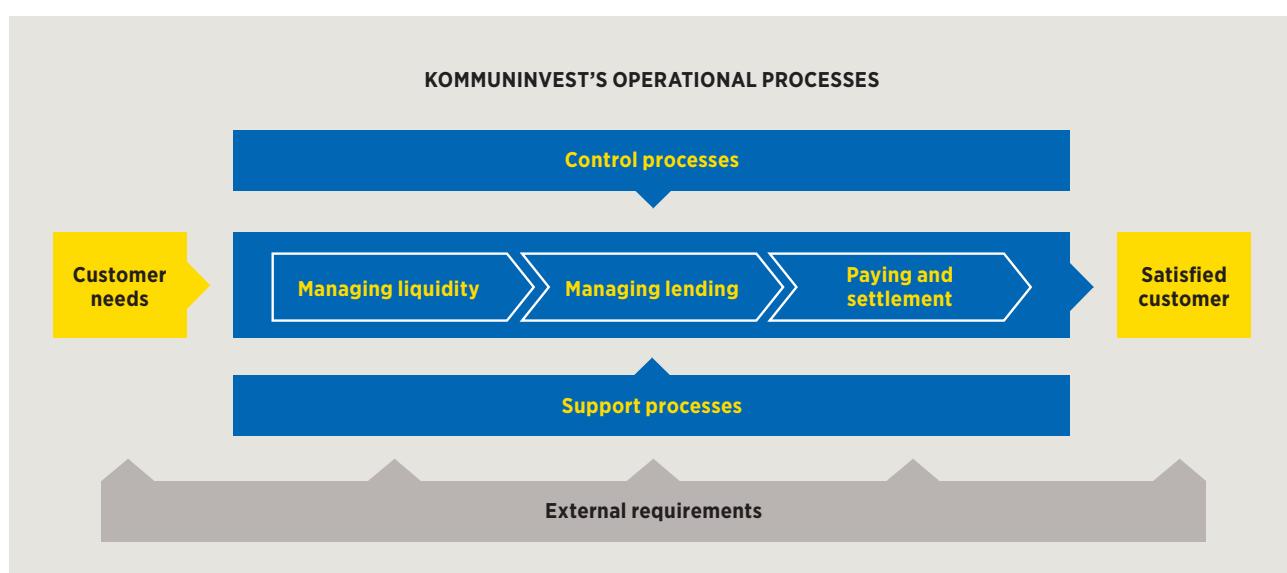
## Risk management

The Company conducts ongoing assessments of the risks that may arise in connection with the Company's operations. The valuation of the identified risks is based on an overall assessment of the probability of the risk occurring and the financial impact that the event may have on Kommuninvest. See more under the section Risk and capital management on pages 37–41.

## Control environment

The control environment can be divided into two different parts: a formal part and an informal part. The formal part consists of the documents that describe the principles of internal control, with the most important being:

- Operational governance and control policy
- Finance Policy
- Risk policy
- Internal capital and liquidity assessment policy (ICLA)
- Operational Risk Policy
- Risk Control Policy
- Compliance Policy
- Internal Audit Policy



The Company's organisation also forms part of the formal control environment and is divided into three lines of defence.

Checks are performed in the Company's first and second lines of defence. The work of the first two lines of defence is reviewed by the third line of defence, the internal audit.

**1. The first line of defence** comprises the part of operations responsible for the identification, control and management of the risks that arise.

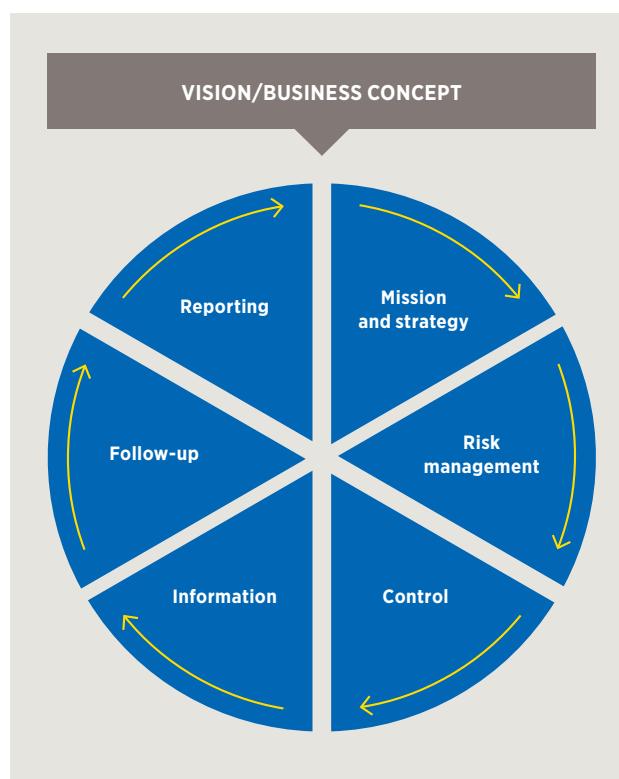
**2. The second line of defence** is separate from the operations, and consists of the Risk and Control Department, and the compliance function. They monitor and check how risks and compliance are managed by the operations. The functions provide support in the introduction of effective risk management processes and regulatory compliance controls, as well as in connection with internal risk reporting. They are also tasked with reporting regularly, within the scope of their responsibilities, to the Company's Board of Directors and the President and CEO.

**3. The third line of defence** is the internal audit unit, which, in a risk-based manner, reports to the Board and Management on how the Company assesses and manages its risks. This also includes the procedures of the first and second lines of defence. The internal audit is performed at the behest of the Board of Directors.

The informal part of the control environment consists of the culture that the Board of Directors and management create by how they lead and control the operations. This is expressed in, among other things, ethical values that create awareness among employees and in the shared Code of Conduct that encompasses all employees within the Company.

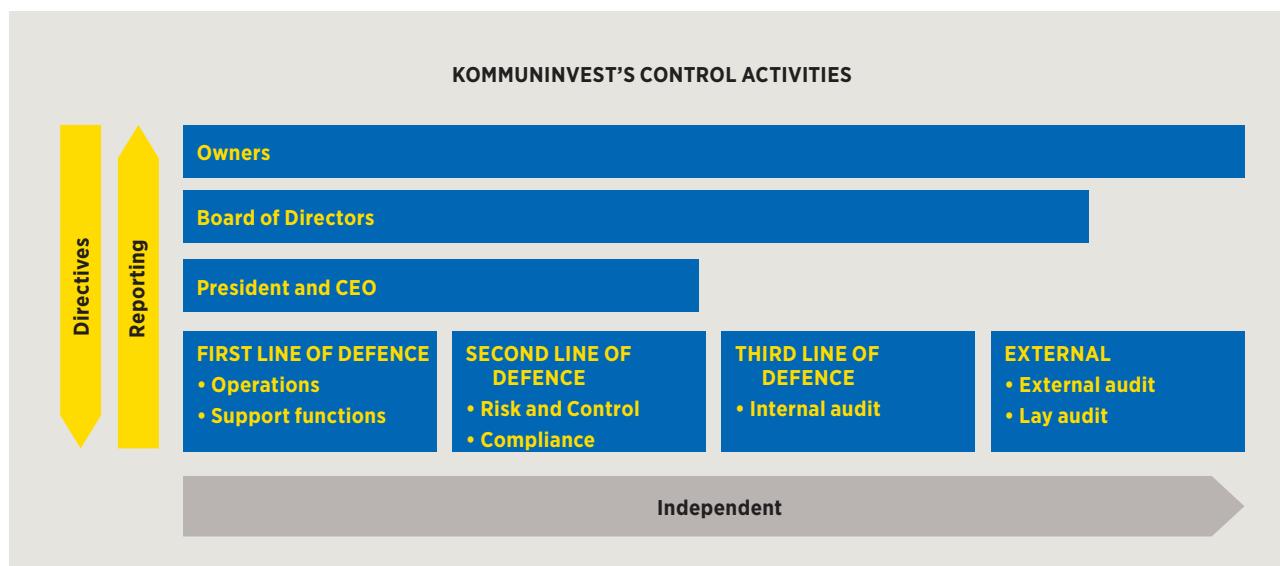
#### Information and communication

The Company has an internal website where policies, instructions and other governance documents are made available. The objective is for all governance documents to be updated at least once annually. The internal website also contains other important information concerning the operations, such as operational reports and protocols from the decision-making forums.



#### Monitoring and reporting

The Board of Directors continuously monitors the Company's financial performance based on monthly reports including budgeted amounts and actual outcomes with associated comments. The Board of Directors continuously evaluates the information submitted by management and the control functions. This monitoring ensures, among other things, that action is taken to rectify any deficiencies, and that the proposed measures emerging from the annual assessment and internal and external audits are taken into account. In addition, management, the internal audit, the Risk function and the Control and Compliance function perform regular checks and audits.



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# Financial statements

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# Income statement

1 January – 31 December

SEK, million	Note	2021	2020
Interest revenues calculated according to effective interest method		997.3	1,741.9
Other interest revenues		1.0	1.2
Interest expenses calculated according to effective interest method		-275.3	-973.0
Other interest expenses		-42.2	-58.8
<b>NET INTEREST INCOME</b>	4	<b>680.8</b>	<b>711.3</b>
Dividends received		2.1	1.9
Commission expenses	5	-11.4	-12.7
Net result of financial transactions	6	47.6	-247.7
<i>of which, derecognised assets measured at amortised cost</i>		2.5	0.2
Other operating income	7	10.2	11.6
<b>TOTAL OPERATING INCOME</b>		<b>729.3</b>	<b>464.4</b>
General administration expenses	8	-247.8	-240.2
Depreciation and impairment of intangible assets	18	-6.4	-1.1
Depreciation and impairment of tangible assets	19	-2.5	-2.3
Other operating expenses	9	-2.8	-3.9
<b>TOTAL OPERATING EXPENSES</b>		<b>-259.5</b>	<b>-247.5</b>
<b>PROFIT BEFORE CREDIT LOSSES</b>		<b>469.8</b>	<b>216.9</b>
Net credit losses	10	6.3	11.1
<b>OPERATING PROFIT</b>		<b>476.1</b>	<b>228.0</b>
Tax	11	-100.5	-48.3
<b>NET PROFIT</b>	12	<b>375.6</b>	<b>179.7</b>

# Statement of comprehensive income

1 January – 31 December

SEK, million	2021	2020
<b>NET PROFIT</b>	<b>375.6</b>	<b>179.7</b>
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>375.6</b>	<b>179.7</b>

## Comments on the income statement

### Net interest income

Net interest income amounted to SEK 680.8 (711.3) million and was thus about SEK 31 million lower than the preceding year. Total earnings from lending amounted to SEK 684 million, which was SEK 79 million lower than the preceding year. The main reason for the discrepancy is that lending that matures and is renegotiated results in sharply reduced interest revenue as historical lending has been agreed with a significantly higher margin between funding and lending rates than the margin achieved over the past year. Interest revenue from the liquidity reserve was higher than the interest expenses for the funding that finances it, which resulted in a surplus of SEK 36 million, which was SEK 44 million more than in the preceding year when the reserve generated a deficit. Expenses for ratings and the Swedish Benchmark Programme, as well as other fees for raising funds burdened net interest income by SEK 40 million, SEK 4 million less than the equivalent expense last year.

For further information regarding net interest income for the period, see Note 4.

### Net result of financial transactions

The net result of financial transactions amounted to SEK 47.6 (negative 247.7) million. The result is mainly explained by unrealised changes in market value of SEK 43.9 (negative 245.3) million. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised.

For further information, see Note 6.

### Other operating income

License revenues for the Company's KI Finans services increased by SEK 0.5 million, despite the asset management service having been transferred to a third party, causing a decline in revenue from KI Finans by SEK 0.7 million in 2021 compared with 2020.

### Operating expenses

Operating expenses totalled SEK 259.5 (247.5) million, including the resolution fee of SEK 23.0 (20.9) million. Excluding the resolution fee, operating expenses amounted to SEK 236.5 (226.6) million, of which payroll expenses accounted for SEK 137.4 (128.3) million and other operating expenses for SEK 99.1 (98.3) million.

Payroll expenses increased by approximately SEK 9.1 million compared with the preceding year. Of these, SEK 3.9 million is explained by time invested in developing our own systems, that reduced payroll expenses in 2020. An increased need for contracted personnel over the year gave an increased expense of SEK

2.9 million. Salary audits and other effects of personnel turnover have resulted in an increased expense of SEK 1.9 million, with SEK 0.4 million comprising somewhat higher Other payroll expenses over the year compared with the preceding year.

Other operating expenses increased by SEK 0.8 million, with, for the first time, the Company's development of a digital loan process generating depreciation of SEK 6.2 million over the year. The transfer of the asset management service to a third party, reduced operating expenses by SEK 3.5 million compared with the preceding year. A decrease in operating expenses of SEK 3.3 million can be attributed to the upgrade of the financial administration system, implemented primarily in 2020. Other items and general increases in expenses explain the remaining increase in other operating expenses of SEK 1.4 million between 2021 and 2020.

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 2021 has been set by the Swedish National Debt Office at SEK 23.0 (20.9) million. The Company's wholly-owned subsidiary, Kommuninvest Fastighets AB, provided a group contribution of SEK 2.1 (1.9) million in 2021. The Board of Directors of the property company was of the opinion that the Group contribution would not prevent the property company from fulfilling its obligations in the short and long term, nor from making necessary investments.

### Net profit

Kommuninvest's operating profit, its profit before tax, amounted to SEK 476.1 (228.0) million. Operating profit includes unrealised changes in market value of SEK 43.9 (negative 245.3) million and net credit losses of SEK 6.3 (11.1) million. Unrealised changes in market value were at a low level as the market data most impacting these changed very little over the year.

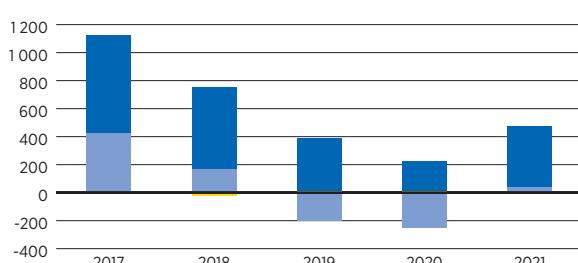
Excluding unrealised changes in market value and expected credit losses, Kommuninvest's operating profit amounted to SEK 425.9 (462.2) million – for additional details, see Alternative performance measurements on page 97.

The tax expense for the year recognised in the income statement amounted to SEK 100.5 (48.3) million. Through Group contributions, taxable profit is reduced to SEK –(–) million. For further information regarding recognised tax, see Note 11.

Profit after tax amounted to SEK 375.6 (179.7) million.

### Operating profit before tax

SEK, million



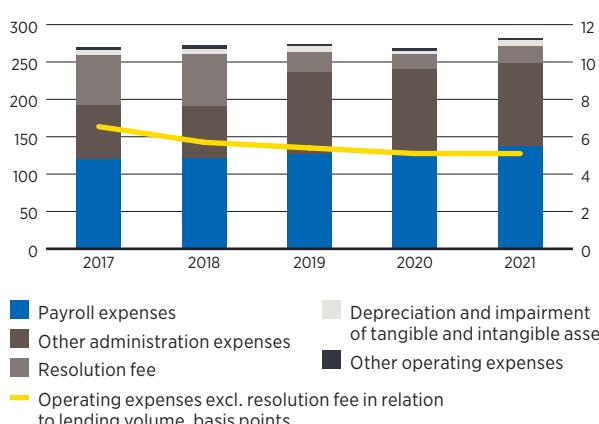
■ Operating profit before tax

■ Portion of profit attributable to unrealised changes in market value

■ Portion of profit attributable to credit losses, net

### Distribution of operating expenses

SEK, million



# Balance sheet

As per 31 December

SEK, million	Note	2021	2020
<b>ASSETS</b>			
Cash and balances with central banks	3	7,672.5	18,931.2
Sovereign bonds eligible as collateral	3, 13	30,724.1	28,035.2
Lending to credit institutions	3	1,334.7	1,669.6
Lending	3, 14	460,650.3	445,788.8
Change in value of interest-hedged item in portfolio hedging		-	33.9
Bonds and other interest-bearing securities	3, 15	15,529.8	13,822.9
Shares and participations in subsidiaries	16	42.0	42.0
Derivatives	3, 17, 26	5,729.3	2,429.4
Intangible assets	18	24.7	30.7
Tangible assets	19	6.0	6.8
Current tax assets		79.0	79.0
Other assets	20	2,428.0	16,474.5
Prepaid operating expenses and accrued revenue		41.3	19.6
<b>TOTAL ASSETS</b>		<b>524,261.7</b>	<b>527,363.6</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities and provisions</b>			
Liabilities to credit institutions	3	277.7	947.0
Securities issued	3	506,080.1	498,305.9
Derivatives	3, 17, 26	3,851.4	18,977.6
Change in value of interest-hedged item in portfolio hedging	17	381.8	-
Other liabilities	21	4,005.0	382.3
Accrued operating expenses and prepaid revenues		43.4	46.6
Provisions	22	0.0	0.0
<b>Total liabilities and provisions</b>		<b>514,639.4</b>	<b>518,659.4</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		8,975.0	7,100.0
New share issue in progress		-	1,100.0
Development expenditure reserve		24.7	30.4
Statutory reserve		17.5	17.5
<b>Unrestricted equity</b>			
Unrestricted share premium reserve		155.0	-
Profit or loss brought forward		74.5	276.6
Net profit	12	375.6	179.7
<b>Total equity</b>		<b>9,622.3</b>	<b>8,704.2</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>524,261.7</b>	<b>527,363.6</b>

## Comments on the balance sheet

### Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 524,261.7 (527,363.6) million. Lending to municipalities and regions, which accounts for most of the assets, amounted to a recognised value of SEK 460,650.3 (445,788.8) million at the end of the year. In nominal terms, lending amounted to SEK 460,691.3 (442,840.6) million. The increase in lending was the lowest in several years, which was primarily due to members' temporarily strengthened liquidity, which was an effect of increased central government allocations. The Riksbank's purchases of local government bonds have also had an effect on members electing to borrow directly from the market to a greater extent. The underlying driving force for growth in Kommuninvest's lending, local government sector investment needs, has not diminished.

The decline in the balance sheet, despite the increase in lending, is due to a decrease in the liquidity reserve and pledged assets. The liquidity reserve, 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, decreased to SEK 55,261.1 (62,458.9) million.

Pledged assets, which are included under the item Other assets, decreased to SEK 2,414.4 (16,460.3) million. Kommuninvest posts collateral for derivative liabilities. Derivative liabilities decreased because the SEK weakened against the USD over the year. The value of the currency swaps used to hedge the currency risks incurred through the Company's funding in USD then increase.

Collateral pledged for derivatives cleared by central clearing counterparties is netted per counterparty and currency in the balance sheet, see further under Note 26. 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 20.

Derivative assets (derivatives with positive market value) increased to SEK 5,729.3 (2,429.4) million.

### Liabilities

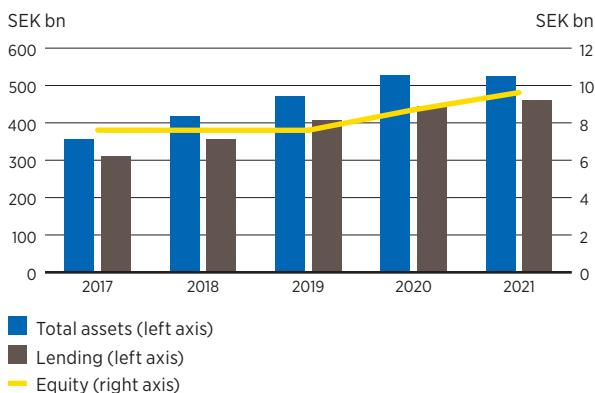
The Company's liabilities amounted to SEK 514,639.4 (518,659.4) million and funding increased to SEK 506,357.8 (499,252.9) million over the year. Derivative liabilities (derivatives with negative market value) amounted to SEK 3,851.4 (18,977.6) million. As mentioned above, the decrease in derivative liabilities was due to the SEK weakening. Other liabilities amounted to SEK 4,005.0 (382.3) million. Other liabilities include collateral received of SEK 3,503.3 (94.3) million, with this change also being due to the weakening of the SEK.

Collateral received for derivatives cleared by central clearing counterparties is netted per counterparty and currency in the balance sheet, see further under Note 26. No right of netting applies for cash collateral received for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet. Further information on other liabilities can be found in Note 21.

### Equity

For information on equity, see the Statement of changes in equity on page 56.

### Balance sheet



# Statement of changes in equity

SEK, million	Restricted equity				Unrestricted equity			Total equity	
	Share capital	New share issue in progress	Development expenditure reserve <sup>1</sup>	Statutory reserve <sup>2</sup>	Fair value reserve <sup>3</sup>	Unrestricted share premium reserve	Profit or loss brought forward	Net profit	
<b>Equity brought forward 1 Jan 2021</b>	7,100.0	1,100.0	30.4	17.5	-	-	276.6	179.7	8,704.2
Net profit								375.6	375.6
Change in development expenditure reserve for the year			-5.7				5.7		-
Other comprehensive income									-
<b>Total comprehensive income</b>	-	-	<b>-5.7</b>	-	-	-	<b>5.7</b>	<b>375.6</b>	<b>375.6</b>
<b>Transactions with shareholders</b>									
Appropriation of surplus							179.7	-179.7	-
New share issue	1,875.0								1,875.0
Unrestricted share premium reserve						155.0			155.0
New share issue in progress		-1,100.0							-1,100.0
Group contributions							-488.0		-488.0
Tax effect on Group contribution							100.5		100.5
<b>Total transactions with shareholders</b>	<b>1,875.0</b>	<b>-1,100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155.0</b>	<b>-207.8</b>	<b>-179.7</b>	<b>542.5</b>
<b>Equity carried forward 31 Dec 2021</b>	<b>8,975.0</b>	<b>-</b>	<b>24.7</b>	<b>17.5</b>	<b>-</b>	<b>155.0</b>	<b>74.5</b>	<b>375.6</b>	<b>9,622.3</b>
<b>Equity brought forward 1 Jan 2020</b>	<b>7,100.0</b>	<b>-</b>	<b>21.1</b>	<b>17.5</b>	<b>-</b>	<b>-</b>	<b>155.5</b>	<b>307.9</b>	<b>7,602.0</b>
Net profit								179.7	179.7
Change in development expenditure reserve for the year			9.3					-9.3	-
Other comprehensive income									-
<b>Total comprehensive income</b>	-	-	<b>9.3</b>	-	-	-	<b>-9.3</b>	<b>179.7</b>	<b>179.7</b>
<b>Transactions with shareholders</b>									
Appropriation of surplus							307.9	-307.9	-
New share issue									-
Unrestricted share premium reserve									
New share issue in progress	1,100.0								1,100.0
Group contributions							-225.9		-225.9
Tax effect on Group contributions							48.3		48.3
<b>Total transactions with shareholders</b>	-	<b>1,100.0</b>	-	-	-	-	<b>130.4</b>	<b>-307.9</b>	<b>922.5</b>
<b>Equity carried forward 31 Dec 2020</b>	<b>7,100.0</b>	<b>1,100.0</b>	<b>30.4</b>	<b>17.5</b>	<b>-</b>	<b>-</b>	<b>276.6</b>	<b>179.7</b>	<b>8,704.2</b>

1) The development expenditure reserve corresponds to 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 reserve to unrestricted equity.

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

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

## Comments on the statement of changes in equity

### Equity

At the end of 2021, equity in the Company amounted to SEK 9,622.3 (8,704.2) million, following Group contributions of SEK 488.0 (225.9) million being paid to the Kommuninvest Cooperative Society.

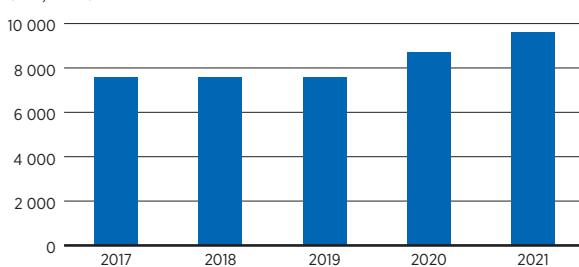
At the end of the year, share capital amounted to SEK 8,975.0 (7,100.0) million, distributed between 89,750,000 (70,999,720) shares. Total share capital is attributable to the Society's members and no shares are available for trading. A process of building-up capital is in progress in the Group, intended to cope with growth in lending over the upcoming years. This will be achieved through capital injections to the Society from its members, which will subsequently be contributed to the Company as share capital.

The increase in share capital is attributable partly to the new share issue of SEK 1,100.0 million that was in progress at the end of the preceding year, and partly to an issue of SEK 775.0 million made in October. In accordance with the Society's capital plan, the issue was implemented at a premium of 120 percent. Accordingly, an unrestricted share premium reserve of SEK 155.0 (-) million arose.

The development expenditure reserve of SEK 24.7 (30.4) million corresponds to capitalised development expenditure in-house adjusted by a proportional share of depreciation transferred back from the reserve to unrestricted equity.

### Equity

SEK, million



# Cash flow statement

1 January – 31 December

SEK, million	2021	2020
<b>Operational activities</b>		
Operating profit	476.1	228.0
Adjustment for items not included in cash flow	-40.2	238.1
Income tax paid	-	-
	<b>435.9</b>	<b>466.1</b>
Change in liquidity portfolio	-4,443.7	-16,442.1
Change in lending	-17,824.3	-36,313.8
Change in other assets	14,024.8	-13,645.1
Change in other liabilities	3,408.5	-7,893.7
<b>Cash flow from operational activities</b>	<b>-4,398.8</b>	<b>-73,828.6</b>
<b>Investment activities</b>		
Acquisitions of intangible assets	-0.4	-10.3
Acquisitions of tangible assets	-1.7	-2.0
<b>Cash flow from investment activities</b>	<b>-2.1</b>	<b>-12.3</b>
<b>Financing activities</b>		
Issue of interest-bearing securities	173,761.3	201,396.9
Redemption and repurchases of interest-bearing securities	-181,607.9	-129,437.1
New share issue	930.0	1,100.0
Change in intra-Group liabilities	-276.9	-1,345.9
<b>Cash flow from financing activities</b>	<b>-7,193.5</b>	<b>71,713.9</b>
<b>Cash flow for the year</b>	<b>-11,594.4</b>	<b>-2,127.0</b>
<b>Cash and cash equivalents at start of the year</b>	<b>20,601.7</b>	<b>22,728.7</b>
<b>Cash and cash equivalents at end of the year</b>	<b>9,007.3</b>	<b>20,601.7</b>
Cash and cash equivalents consist 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.		
<b>Adjustment for items not included in cash flow</b>		
Depreciation	8.9	3.3
Exchange rate differences from change in financial assets	1.1	0.6
Unrealised changes in market value	-43.9	245.3
Net credit losses	-6.3	-11.1
<b>Total</b>	<b>-40.2</b>	<b>238.1</b>
<b>Interest paid and received, included in the cash flow</b>		
Interest received <sup>1</sup>	1,163.3	1,898.2
Interest paid <sup>2</sup>	-561.8	-706.3

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

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

## Reconciliation of liabilities arising from financing activities

2021	Opening balance	Cash flows	Currency exchange fluctuations	Fair value change	Group contributions	Closing balance
Funding, incl. derivatives	515,801.1	-7,846.6	1.1	-3,475.7		504,479.9
Share capital and unrestricted share premium reserve	8,200.0	930.0				9,130.0
Intra-Group liabilities	276.9	-276.9			488.0	488.0
<b>Total</b>	<b>524,278.0</b>	<b>-7,193.5</b>	<b>1.1</b>	<b>-3,475.7</b>	<b>488.0</b>	<b>514,097.9</b>

# Notes

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

## Note 1 Information about Kommuninvest i Sverige AB

This Annual Report applies to the year ending 31 December 2021 and relates to Kommuninvest i Sverige AB (publ), registered number: SE556281-4409. Kommuninvest has its registered office in Örebro. Kommuninvest's address is: P.O. Box 124, SE-701 42 Örebro, Sweden.

The Parent Company of Kommuninvest i Sverige AB is the Kommuninvest Cooperative Society, registration number SE716453-2074.

The Annual Report was approved for publication by the Board of Directors on 15 February 2022. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 31 March 2022.

## Note 2 Accounting principles

### Compliance with standards and legislation

The Kommuninvest Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's (Finansinspektionen) regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25) including all applicable amending regulations. Consequently all International Financial Reporting Standards and interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and considering the additions and exemptions specified in FFFS 2008:25. Furthermore, the recommendations from the Swedish Financial Reporting Board, Accounting for legal entities (RFR 2) have been applied. In accordance with Chapter 7, Section 6a of ÅRKL, Kommuninvest has elected not to prepare consolidated accounts.

The accounting principles are in line with those applied in the 2020 Annual Report, with the exception of amendments caused by new or amended IFRS standards coming into effect during 2021.

### Consolidated accounts

Since 1 January 2012, Kommuninvest i Sverige AB owns Kommuninvest Fastighets AB, which means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the parent company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which Kommuninvest i Sverige AB conducts its operations. In accordance with Section 7:6a of ÅRKL, Kommuninvest i Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and net profit. For further details, see Note 16. The Annual Report is prepared by the Parent Society, the Kommuninvest Cooperative Society, and will be published on 31 March 2022 at [www.kommuninvest.se](http://www.kommuninvest.se).

### New and amended laws, standards and interpretations

The European Securities and Markets Authority (ESMA) has developed a technical standard for a single electronic reporting

format (ESEF). This has been adopted by the European Commission as a delegated regulation (2018/815), coming into effect on 18 June 2019. Although the regulation was to apply for annual and consolidated accounts containing financial statements for financial years commencing 1 January 2020, an opportunity was provided within the EU entitling member states to postpone reporting in accordance with ESEF for one year. This amendment to the law entailed the requirement being applied for financial years commencing 1 January 2021, with initial reporting in accordance with ESEF occurring in the annual report for financial year 2021. Kommuninvest i Sverige AB has prepared the annual report for financial year 2021 in electronic format and in accordance with the requirements applicable to legal entities. This entails the annual report being prepared in the XHTML (Extensible HyperText Markup Language) format, although without XBRL (eXtensible Business Reporting Language) labelling, since no consolidated accounts are prepared.

In January 2020, the EU adopted amendments to IFRS 9, IAS 39 and IFRS 7 (Phase 1) as a result of the reform for new reference rates. The changes are aimed at minimising unwanted effects that may occur while the new reference rate reform is in progress and entail certain relief rules with regard to hedge accounting and new disclosure requirements. The amendments entail the Company 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 the possible replacement of Stibor/other IBOR with a risk-free rate. Furthermore, amendments to IFRS 7 entail additional disclosure requirements being introduced. On 1 January 2021, additional changes associated with the reference rate reform came into effect (Phase 2) determining when the reform of a reference rate of relevance to the Company is complete. The reform regarding new reference rates and its relief rules will have an immaterial effect on Kommuninvest's earnings and position because Kommuninvest has very few hedges linked to uncertainty in foreign IBOR. For further details, see Note 3 and Note 17.

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.

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

Kommuninvest is monitoring developments in the ongoing reform regarding new reference rates and its impact on accounting standards. No new or amended laws, standards or interpretations yet to come into effect are currently assessed to have any material impact on Kommuninvest's net profit, position, disclosures, capital requirements, capital base or major exposures.

### Significant judgements and assumptions

The preparation of the Annual Report includes judgements and assumptions that affect the accounting and 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

## FINANCIAL STATEMENTS

### Note 2, continued

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 25 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 the Company'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 25.

With regard to Kommuninvest's business model for financial assets, this has been assessed as being to hold such assets to maturity. During the year, the purpose of the business model did not change and the assessment is that the business model has both been complied with during the year and that its purpose of receiving contractual cash flows remains. This assessment has taken into account that the purpose of the assets in the Company's Finance Policy remains unchanged, as well as an evaluation of the year's sales. For more information on the net result of financial transactions, see Note 6.

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 3 describes the choice of method and its assumptions.

#### Functional currency and presentation currency

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

#### Transactions in foreign currencies

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

#### Subsidiaries

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

#### Interest revenues and interest expenses

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

- Interest on financial assets and liabilities measured at amortised cost.
- Interest from financial assets classified as available-for-sale measured at fair value via profit or loss.
- 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 revenues and interest expenses include periodised amounts with regard to transaction expenses.

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

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

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 expenses, see Note 4.

#### Commission expenses

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

#### Net result of financial transactions

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

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

#### Financial instruments

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, securities issued, derivatives and other financial liabilities. For further information, see Note 25.

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

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

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

Financial assets and financial liabilities are netted and recognised at a net amount in the balance sheet only where there is a legal right to net the amounts and it is intended to adjust the items with a net amount or to at the same time capitalise the asset and adjust the liability. Derivatives cleared with a central clearing counterparty are reported net per counterparty and currency in the balance sheet. Acquisitions and sales of finan-

**Note 2, continued**

cial instruments are reported on the business day, i.e. the day the Company 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***

Financial assets are classified based on the Company's business model. The business model is identified at the 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 the Company's new assets. As per 31 December 2021, Kommuninvest had no assets that had failed the SPPI test. The classification of the business model and the outcome of the SPPI test affects the Company'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 assets 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.

***Fair value through other comprehensive income***

Since Kommuninvest's business model is not to both 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 (the EU carve-out version) 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. 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 assessed 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 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

**Note 2, continued**

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 impairment of financial instruments**

Kommuninvest calculates expected credit losses in accordance with IFRS 9. 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 realised 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 3 and for the effect earnings of credit losses, see Note 10.

**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 de-recognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. The gain or loss that may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's recognised value less direct sales expenses. Gain/loss is recognised as other operating income/expense.

Depreciation is carried out on a straight-line basis over the estimated useful life of the asset, effective from the month in which the asset is acquired and thus used. Kommuninvest calculates a useful life of three or five years for equipment. Works of art included in the balance sheet are not depreciated.

**Pension through insurance**

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

According to IAS 19, a defined contribution pension plan is a plan for remuneration after termination of employment whereby the Company pays pre-determined fees to a separate legal entity, and has no legal or informal obligation to make further payments if the legal entity has insufficient assets to pay

all employee benefits relating to service during the current and earlier periods. A defined benefit pension plan is classed as a different type of plan for post-employment benefit to a defined contribution plan.

The pension plan for Kommuninvest's employees has been deemed a defined contribution plan encompassing more than one employer. Kommuninvest's pension payments are entered as 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). The Company pays into a defined-contribution pension scheme equivalent to 30 percent of the President and 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 8.

**General administration expenses**

General administration expenses include payroll expenses, including salaries and emoluments, pension expenses, payroll taxes and other social security contributions and temporary/contract personnel, training expenses and other payroll expenses. Other expenses included in administrative expenses are the resolution fee, expenses for consultants, premises, IT, travel, rating, market data and other. For further information, see Note 8.

**Other operating income**

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

Since 1 January 2018, revenues from KI Finans is recognised in accordance with IFRS 15 and Kommuninvest recognises revenue for KI Finans during the contract period when the customer is entitled to access the service, meaning that revenue for the financial management service is allocated over the calendar year. Current expenses related to KI Finans are expensed. For further information, see Note 7.

**Other operating expenses**

Other operating expenses primarily include expenses for marketing and insurance.

**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**

The Company applies the exception in RFR 2 regarding lease accounting and does not therefore apply IFRS 16 to legal entities. Leasing fees are recognised as expenses on a straight-line basis across the term of the lease. For more information on leasing, see Note 8.

**Note 2, continued****Tax**

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

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

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

**Group contributions**

Kommuninvest recognises Group contributions paid to the parent company directly against equity. Group contributions received are reported in the income statement under dividends received.

**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 IAS7:23 and reports issues of less than three months net. The financing activities also include a new share issue and change in consolidated debt.

**Segment reporting**

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

## **Note 3 Risk and capital management**

Kommuninvest's principal assignment is to ensure access to stable and efficient funding for the local government sector. This entails raising funds on the financial market, based on customers' needs. 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 37–41 for a comprehensive description of the Company's risk profile and risk organisation and the separate Risk and Capital Management Report, which is available at [www.kommuninvest.se](http://www.kommuninvest.se)). Also shown under each area of risk are the current exposure and estimated capital requirement.

**Credit risk**

Credit risk refers to the risk of a loss being incurred as a consequence of a counterparty's incapacity to meet its obligations on time. Credit risk arises in various ways in the Company'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.

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. Additional limits are determined by the President and 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.

## FINANCIAL STATEMENTS

### Note 3, continued

The Company's credit risk exposures are presented in the table below.

Credit risk exposure	2021					2020				
	Recognised gross value	Expected credit losses	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement	Recognised gross value	Expected credit losses	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement
<b>Credit provision</b>										
Lending to municipalities and municipal companies <sup>2</sup>	460,651.4	-1.1	460,650.3	-	-	445,794.7	-5.9	445,788.8	-	-
- Risk category 1	273,078.0	-0.6	273,077.4	-	-	265,293.8	-3.5	265,290.3	-	-
- Risk category 2	162,382.6	-0.4	162,382.2	-	-	156,148.5	-2.1	156,146.4	-	-
- Risk category 3	22,219.3	-0.1	22,219.2	-	-	21,414.0	-0.3	21,413.7	-	-
- Risk category 4	2,971.5	0.0	2,971.5	-	-	2,938.4	0.0	2,938.4	-	-
<b>Investments</b>										
Sovereign bonds eligible as collateral	30,724.2	-0.1	30,724.1	-	-	28,036.0	-0.8	28,035.2	-	-
- AAA	30,724.2	-0.1	30,724.1	-	-	28,036.0	-0.8	28,035.2	-	-
- AA	-	-	-	-	-	-	-	-	-	-
Cash and balances with central banks	7,672.5	0.0	7,672.5	-	-	18,931.9	-0.7	18,931.2	-	-
- AAA	7,672.5	0.0	7,672.5	-	-	18,931.9	-0.7	18,931.2	-	-
Bonds and other interest-bearing securities	15,529.9	-0.1	15,529.8	-	-	13,822.9	0.0	13,822.9	-	-
- AAA	13,307.7	-0.1	13,307.6	-	-	12,054.9	-	12,054.9	-	-
- AA	2,222.2	0.0	2,222.2	-	-	1,768.0	0.0	1,768.0	-	-
Lending to credit institutions	1,334.8	-0.1	1,334.7	267.1	21.4	1,669.9	-0.3	1,669.6	258.0	20.6
- AAA	-	-	-	-	-	379.7	-	379.7	0.0	0.0
- AA	754.2	0.0	754.1	151.0	12.1	480.2	-0.1	480.1	96.0	7.7
- A	580.6	-0.1	580.6	116.1	9.3	810.0	-0.2	809.8	162.0	12.9
<b>Derivatives</b>										
Derivatives <sup>1</sup>	5,729.3	-	5,729.3	-	-	2,429.4	-	2,429.4	-	-
- AA	1,801.8	-	1,801.8	-	-	477.7	-	477.7	-	-
- A	3,679.4	-	3,679.4	-	-	1,572.6	-	1,572.6	-	-
- BBB	248.1	-	248.1	-	-	379.1	-	379.1	-	-
<b>Other assets</b>										
Other assets	2,621.0	-	2,621.0	116.8	9.3	16,686.5	-	16,686.5	102.3	8.2
<b>Off-balance sheet items</b>										
Committed loans <sup>2</sup>	239.1	-	239.1	-	-	355.3	-	355.3	-	-
Committed, undisbursed loans <sup>2</sup>	278.7	-	278.7	-	-	1,859.1	-	1,859.1	-	-
<b>Total (including off-balance sheet items)</b>	<b>524,780.9</b>	<b>-1.4</b>	<b>524,779.5</b>	<b>383.9</b>	<b>30.7</b>	<b>529,585.7</b>	<b>-7.7</b>	<b>529,578.0</b>	<b>360.3</b>	<b>28.8</b>

1) The recognised value corresponds to the maximum credit risk exposure without taking collateral received or other forms of credit enhancement into account. For information on collateral received, see section Counterparty risk on page 69.

2) Guaranteed by local government undertaking. For the definition of risk categories 1–4, see section Risk in credit provision on page 68.

#### Expected credit losses (ECL)

Kommuninvest calculates expected credit losses in accordance with IFRS 9. Decisions on the methods used in these calculations are made by the Company's Credit Risk Committee, which meets quarterly. The daily follow-up and implementation of the Credit Risk Committee's decisions is performed by the Finance Department and the Risk and Control Department. Changes in credit risk are monitored daily.

#### Credit risk exposure

Kommuninvest is exposed to credit risks through its lending portfolio, through off-balance sheet items and through investments.

Kommuninvest's lending portfolio comprises lending to municipalities and regions (members of the Society), as well as companies and other entities. Any lending to parties other than members (municipalities/regions) directly requires a guarantee

from one or more members. Off-balance sheet items consist of contracted new lending yet to be disbursed, building loans and liquidity guarantees. Investments comprise cash and cash equivalents or holdings in sovereigns or state-related counterparties, including federal states, local government authorities and credit institutions similar to Kommuninvest.

#### Calculation of ECL

When calculating expected credit losses (ECL), the exposure at default (EAD) is multiplied by the proportion determining the loss given default (LGD). This is then multiplied by the probability of default (PD).

$$ECL = PD * LGD * EAD$$

ECL is updated on a daily basis. The three factors, as well as phase allocation, are monitored on an ongoing basis. On a quarterly basis, an assessment is made of the trend for the period, and of any need for adjusting the model.

**Note 3, continued*****Expected maturity in the ECL calculation***

ECL shall be calculated for different periods, which vary depending on the development of the counterparties' creditworthiness. When a contract is initiated, it is in Phase 1. ECL is then calculated on the basis of default possibly occurring within the ensuing 12 months. In the event that an exposure be classified in Phase 2 due to a heightened credit risk, the calculation is based instead on all cash flows throughout the remaining maturity. In the event of default, the exposure is transferred to Phase 3. Indicators are used to continuously monitor the development of credit risk in the Company's lending. All credit exposures are currently in Phase 1.

For the investments, Kommuninvest uses the regulatory exemption for low credit risk. This is supported by the investment portfolio's credit risk profile and favourable 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 exposures with very good credit quality, which, in addition to cash and cash equivalents at payment banks, comprise sovereign or government relations. In connection with negative changes in credit ratings, qualitative assessments are often made to determine whether credit risk has increased significantly. 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.

***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 at least one 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. Based on the EBA's guidelines, this shall ascertain whether a "technical default" situation has arisen. If the exposure is directly to a member (municipality or region), the in-depth analysis is motivated primarily by the local government authorities' constitutionally protected role in society, including 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. 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. Limits have been established for the quantitative indicators, and violations are followed up. A limit is also applied, meaning that an asset will be transferred to Phase 2 if payment is delayed by more than 30 days. The qualitative indicators consist of restructuring of loan terms. 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 quality of the financial assets is determined by the Credit Risk Committee.

Kommuninvest has never suffered any actual credit loss, nor has it modified payment flows or renegotiated any existing agreements. In light of the above, the Company has no specific principles for write-offs.

***Probability of default (PD)***

The Company uses S&P Global Ratings' database for historical probability of bankruptcy and applies an internal theoretical model to obtain forward-looking data.

In the calculation of expected credit losses in investments, PD is allocated based on the issuer's rating.

In calculating ECL in the lending portfolio, PD is allocated on the basis of an interpolation between PD for the Swedish central government and PD for a level worse than the lowest rating for a local government exposure in the portfolio. This is because not all local government authorities have credit ratings. For the interpolation of the lending counterparty's rating, Kommuninvest's internal risk value model is used. For the lending portfolio, Kommuninvest determines PD at the counterparty level and not at the transaction level. This is motivated by the fact that the conditions for all lending are identical with no hierarchical order of credit having been assigned to counterparties. In other words, a deteriorated credit quality will affect all of the counterparty's transactions.

Factors affecting the calculation of PD:

- The weightings for macroeconomic factors are based on the empirical correlations between macro factors and Z factors. Z-factors are used to adjust historical probability to become forward-looking.
- For each segment, a specific long-term probability of bankruptcy is applied, in which the categories "Non-financial corporations" and "sovereigns" are used for the lending portfolio and "Financial corporations" for investments.
- Z benchmark intervals are calibrated dynamically and individually for each segment.

***Weightings, macroeconomic factors***

	Lending		Liquidity reserve	
	2021 %	2020 %	2021 %	2020 %
GDP forecast	28%	18%	8%	15%
Unemployment	24%	39%	14%	10%
Stock market	14%	14%	40%	21%
Energy index	5%	5%	5%	7%
Non-energy index	6%	5%	6%	8%
Credit rating	23%	19%	27%	39%

## FINANCIAL STATEMENTS

Note 3, continued

### Historical probability of default

S&P Rating	Non-financial companies and sovereigns		Financial companies	
	2021	2020	2021	2020
AAA	0.00165%	0.00132%	0.00943%	0.00993%
AA+	0.00286%	0.00230%	0.01419%	0.01490%
AA	0.00495%	0.00400%	0.02136%	0.02237%
AA-	0.00857%	0.00697%	0.03215%	0.03358%
A+	0.01483%	0.01215%	0.04839%	0.05041%
A	0.02566%	0.02116%	0.07282%	0.07567%
A-	0.04441%	0.03686%	0.10958%	0.11357%
BBB+	0.07685%	0.06419%	0.16485%	0.17041%
BBB	0.13296%	0.11176%	0.24794%	0.25563%
BBB-	0.22994%	0.19453%	0.37276%	0.38331%
BB+	0.39736%	0.33839%	0.56006%	0.57440%
BB	0.68586%	0.58800%	0.84068%	0.85991%
BB-	1.18132%	1.01986%	1.26012%	1.28552%
B+	2.02740%	1.76328%	1.88485%	1.91771%
B	3.45825%	3.03199%	2.81049%	2.85180%
B-	5.83874%	5.16557%	4.17138%	4.22131%
CCC-C	24.33623%	22.35699%	12.92792%	12.98004%

The PD used to calculate expected credit losses is a weighted average of three different macro scenarios (normal, medium-low and medium-high economic situations).

### Scenario weights

Scenario	2021 %	2020 %	Change %
Positive scenario	20%	20%	0%
Base scenario	60%	60%	0%
Negative scenario	20%	20%	0%

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 macroeconomic 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.

### Macroeconomic factor

Historical input data	Scenario	2021
Historical change in credit rating (Sovereigns-Companies)	Principal scenario	-53.03%
	Positive scenario	-71.02%
	Negative scenario	-35.03%
Historical change in credit rating (Financial)	Principal scenario	-191.41%
	Positive scenario	-255.38%
	Negative scenario	-127.44%
Historical change in OMX index (-1Q)	Principal scenario	-2.94%
	Positive scenario	1.51%
	Negative scenario	-7.38%
Historical change in S&P 500 index (-1Q)	Principal scenario	3.33%
	Positive scenario	6.08%
	Negative scenario	0.59%

Forecast input data	Scenario	2022	2023	2024
GDP trend Sweden	Principal scenario	3.40%	2.10%	1.40%
	Positive scenario	5.11%	3.81%	3.11%
	Negative scenario	1.69%	0.39%	-0.31%
Change in unemployment Sweden	Principal scenario	-15.73%	-10.67%	0.00%
	Positive scenario	-23.96%	-18.90%	-8.23%
	Negative scenario	-7.50%	-2.43%	8.23%
Change in global energy Index	Principal scenario	2.21%	-13.36%	0.12%
	Positive scenario	16.69%	1.12%	14.60%
	Negative scenario	-12.28%	-27.85%	-14.37%
Change in global non-energy index	Principal scenario	-2.36%	-3.53%	-1.93%
	Positive scenario	5.12%	3.94%	5.55%
	Negative scenario	-9.83%	-11.01%	-9.40%

### Loss given default “LGD”

#### Lending

Swedish municipalities cannot be declared bankrupt and the assessment is also that there is a high degree of covariation between Swedish local government authorities and the Swedish central government in times of crisis. The tax base for both is also the Swedish economy. Accordingly, there is a strong connection between the LGD for Swedish local government authorities and the Swedish central government. For Swedish local government authorities, a standard value is applied by means of an expert analysis based on S&P Global Ratings “Aggregated European Recovery Data” as well as on Moody’s Sovereign Default and Recovery Rates”. The result of the assessment is to apply an LGD of 35 percent.

#### Investments

Kommuninvest's counterparties all have high credit ratings and a stable financial position. Historically, no Kommuninvest counterparty has suspended payments. Consequently, no empirical history for LGD exists. To assess LGD, standard values are used instead. For sovereigns and state-related counterparties, an expert analysis is made based on S&P Global Ratings “Aggregated” European Recovery Data” as well as on Moody’s Sovereign Default and Recovery Rates. The result of the assessment is to apply an LGD of 35 percent. For other counterparties, LGD is applied in accordance with the CRR regulations. Under Article 161, senior exposures (non-subordinated exposures) to unsecured financial institutions must be allocated an LGD of 45 percent. For covered bonds, LGD is also applied to in accordance with the regulations in CRR. Under Article 161, covered bonds that meet the terms of Article 129 are to be allocated an LGD of 11.25 percent. Covered bonds include excess collateral. In the event that the regulations are amended or the reports from Moody's and S&P are updated, LGD may be adjusted.

### Exposure at default (EAD)

For EAD, 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 investments, 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 investments. 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. The spread between the Company's funding expenses and the various types of issuers is

**Note 3, continued**

determined through expert assessment. By combining these components, a discount curve for each currency and maturity is derived.

**Sensitivity analysis**

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

The sensitivity analysis for the macroeconomic factors can be found in the table below. The tables show how ECL is affected by the macroeconomic factors, given the Company's current scenario weighting.

**Sensitivity analysis, macroeconomic factors, lending, (change, from, to)**

	ECL, SEK million %
GDP forecast (-1% +3.4% +2.4%)	-0.16
Unemployment (+10% +7.5% +8.25%)	-0.14
OMX (-10% -2.9% -12.9%)	-0.33
Energy index (-10% -2.2% -7.8%)	-0.03
Non-energy index (-10% -2.4% -12.4%)	-0.07
Credit rating, govt.-owned comps. (+10% -53.0% -43.0%)	-0.28
Credit rating, fin. (+10% -191.4% -181.4%)	-

**Sensitivity analysis, macroeconomic factors, investments, (change, from, to)**

	ECL, SEK million %
GDP forecast (-1% +3.4% +2.4%)	-0.02
Unemployment (+10% +7.5% +8.25%)	-0.02
S&P (-10% +3.3% -6.7%)	-0.21
Energy index (-10% -2.2% -7.8%)	-0.01
Non-energy index (-10% -2.4% -12.4%)	-0.02
Credit rating, govt.-owned comps. (+10% -53.0% -43.0%)	-0.02
Credit rating, fin. (+10% -191.4% -181.4%)	-0.04

Sensitivity to change in scenario weighting shown in table below.

Sensitivity analysis scenario weights	Effect, SEK million %
More positive (P30 B60 N10)	0.22
More negative (P10 B60 N30)	-0.37
Pre-Covid (P5, B85, N10)	-0.04

P stands for "positive", B stands for "base" and N stands for "negative".

**Changes during the year****Changes in ECL during the period**

The Company's ECL decreased by SEK 6.3 million overall, from SEK 7.7 million to SEK 1.4 million.

The effects of the corona pandemic remain in the ECL value through greater uncertainties in the scenario weights. Before the corona pandemic, the Company had a weighting of P5, B85 and N10. Had these weights been applied, the Company's ECL would have decreased by SEK 0.04 million. In other respects, the Company has not applied any expert adjustments based on the effects of the corona pandemic.

The same model has been applied throughout 2021. Minor adjustments within the model mean that:

- ECL for the Riksbank is now a separate segment with a government-related PD instead of a PD for financial companies. This corresponds better to the risk of exposure and has resulted in a lowering of the ECL by SEK 0.4 million.

- Macroeconomic factors involving changes in credit ratings are adjusted not only on the basis of historical data but also applying forward-looking data based on a calibrated forecast for Global GDP. This has resulted in a lowering of ECL by SEK 0.7 million.

Changes in PD and LGD are shown in the table below. For changes in EAD, see table Change in provisions for credit losses on page 68.

S&P Rating	Changes in forward-looking PD		Non-financial companies and sovereigns		Financial companies	
	2021	2020	2021	2020	2021	2020
AAA	0.00058%	0.00349%	0.00383%	0.00880%		
AA+	0.00106%	0.00579%	0.00600%	0.01328%		
AA	0.00194%	0.00961%	0.00940%	0.02004%		
AA-	0.00353%	0.01596%	0.01472%	0.03024%		
A+	0.00643%	0.02649%	0.02305%	0.04564%		
A	0.01173%	0.04398%	0.03610%	0.06888%		

PD factor	Change contribution, %	
	Total	PD factor
Scenario weights	-	0.0%
Macro weights	-	-15.0%
GDP forecast	-	-15.2%
Unemployment	-	29.0%
Share index	-	-10.1%
Energy index	-	33.2%
Non-energy index	-	33.0%
For Credit rating	-	62.6%
Historical probability of default	-	-17.4%
<b>Total</b>	<b>100.0%</b>	

Changes in PD factor reduced ECL by SEK 4.4 million, see the division into risk variables and change of model in the section Change in provisions for credit losses on page 68.

Change in LGD	2021 %	2020 %
Lending	35%	35%
Investments	45%	45%
Riksbank	35%	35%

LGD has not changed and did not thus affect ECL.

**Change for the period in provisions for credit losses**

All provisions relate to stage 1 and have been constant during 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.

## FINANCIAL STATEMENTS

Note 3, continued

Change in provisions for credit losses						
2021	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Change of model	Closing balance
Cash and balances with central banks	-0.7	0.0	0.8	0.0	0.0	0.1
Sovereign bonds eligible as collateral	-0.8	-9.3	16.4	-6.9	0.5	-0.1
Lending to credit institutions	-0.3	0.0	0.0	0.1	0.0	-0.2
Lending	-5.9	-0.4	0.8	4.4	0.0	-1.1
Bonds and other interest-bearing securities	0.0	-6.5	0.0	5.8	0.6	-0.1
Provisions for off-balance sheet items	0.0	-0.3	0.4	-0.1	0.0	0.0
<b>Total</b>	<b>-7.7</b>	<b>-16.5</b>	<b>18.4</b>	<b>3.3</b>	<b>1.1</b>	<b>-1.4</b>

Change in provisions for credit losses						
2020	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Change of model	Closing balance
Cash and balances with central banks	-	-0.7	-	-	-	-0.7
Sovereign bonds eligible as collateral	-0.5	-32.7	31.1	1.3	-	-0.8
Lending to credit institutions	-0.4	-	-	0.1	-	-0.3
Lending	-17.8	-3.5	3.7	-30.2	41.9	-5.9
Bonds and other interest-bearing securities	-	-0.4	-	0.4	-	0.0
Provisions for off-balance sheet items	-0.1	-2.8	3.7	-0.8	-	0.0
<b>Total</b>	<b>-18.8</b>	<b>-40.1</b>	<b>38.5</b>	<b>-29.2</b>	<b>41.9</b>	<b>-7.7</b>

Changes in gross recognised value of provisions for credit losses				
2021	Opening balance	Initiated during the period	Maturing during the period	Closing balance
Cash and balances with central banks	18,931.9	7,672.5	18,931.9	7,672.5
Sovereign bonds eligible as collateral	25,199.2	1,554,472.7	1,550,599.7	29,072.2
Lending to credit institutions	1,290.2	1,334.8	1,290.2	1,334.8
Lending	335,745.7	405,596.5	389,592.0	351,750.2
Bonds and other interest-bearing securities	8,036.9	8,282.2	9,782.0	6,537.1
Off-balance sheet items	1,691.5	74,472.9	75,807.4	357.0
<b>Total</b>	<b>390,895.4</b>	<b>2,051,831.6</b>	<b>2,046,003.2</b>	<b>396,723.8</b>

Changes in gross recognised value of provisions for credit losses				
2020	Opening balance	Initiated during the period	Maturing during the period	Closing balance
Cash and balances with central banks	811.1	4,160,267.7	-4,142,146.9	18,931.9
Sovereign bonds eligible as collateral	13,511.7	1,193,244.5	-1,181,557.0	25,199.2
Lending to credit institutions	1,874.5	411,822.2	-412,406.5	1,290.2
Lending	271,045.5	130,196.8	-65,496.6	335,745.7
Bonds and other interest-bearing securities	-	8,036.9	-	8,036.9
Off-balance sheet items	2,182.5	132,410.7	-132,901.7	1,691.5
<b>Total</b>	<b>289,425.3</b>	<b>6,035,978.8</b>	<b>-5,934,508.7</b>	<b>390,895.4</b>

### Risk in credit provision

Risk in credit provision refers to the risk that a credit counterparty fails to meet its obligations. This risk is limited by providing credit only to members and approved companies, foundations and associations in which one or more members has a controlling influence. Approved companies, foundations and associations are to be covered by a guarantee from one or more members.

Members and approved companies, foundations and associations are followed up continuously and assessed from a holistic perspective at the corporation level. The risk in the Compa-

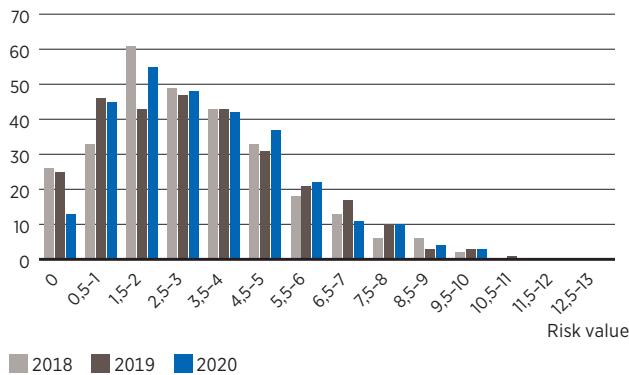
ny's lending operations is very low and the Company has never suffered any credit losses in its lending operations. The municipalities and regions and the companies they own respectively are analysed when processing membership applications and on an ongoing basis during their membership. To obtain an overall view of a member's financial situation, a quantitative risk value analysis is performed. This assesses the income statement, balance sheet, demographics and risks in municipal operations.

**Note 3, continued**

Based on this analysis, each of the Society's member municipalities and regions is allocated a risk value between 0 and 13, where a lower value represents a lower risk.

**Risk value model**

Number of municipalities

**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 the Company uses the standardised method in the CRR regulations, there is no statutory capital requirement for risk in credit provision.

**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 senior securities of at least BBB+ or be guaranteed by someone with this credit rating. 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 senior securities 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. The exposure to counterparty risk is determined based on the market value of the derivative contracts. CSA agreements govern the right to collect collateral to eliminate the exposure arising from changes in the value of derivative contracts that have been entered. In connection with the EMIR regulatory framework, which requires the replacement of variation margins for OTC derivatives, the Company has, since March 2017, introduced CSA agreements with most counterparties, entailing a daily exchange of collateral without thresholds.

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 2,613.6 (3,102.5) million.

Derivative exposure	2021	2020
Recognised value <sup>1</sup>	5,729.3	2,429.4
Amount netted in the balance sheet	4,521.8	6,036.7
<b>Gross market value<sup>2</sup></b>	<b>10,251.1</b>	<b>8,466.1</b>
Netting gains	-4,691.6	-1,978.4
<b>Current replacement cost<sup>3</sup></b>	<b>5,559.5</b>	<b>6,487.7</b>
Collateral received	-5,443.1	-6,058.9
<b>Net per counterparty incl. deductions for collateral</b>	<b>116.4</b>	<b>428.8</b>
Initial margin pledged	2,464.7	2,665.7
Surplus collateral pledged	32.5	8.1
<b>Total counterparty risk</b>	<b>2,613.6</b>	<b>3,102.5</b>

1) Total positive market values after netting.

2) Total positive gross market values before netting.

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

**Capital requirements for counterparty risk**

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

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

Capital requirements for counterparty risk	2021	2020
Current replacement cost <sup>1</sup>	5,559.5	6,487.7
Potential future exposure	5,663.9	5,787.5
<b>Exposure value</b>	<b>11,223.4</b>	<b>12,275.2</b>
Risk-weighted exposure value <sup>2</sup>	0.0	0.0
<b>Capital requirement</b>	<b>0.0</b>	<b>0.0</b>

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

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

**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. Placements are 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 annually the maximum gross exposure to individual issuers.

At year-end, the average remaining maturity of liquidity reserve investments was 2.2 (3.3) months.

The longest remaining maturity of an individual security was 20.2 (24.8) 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.

## FINANCIAL STATEMENTS

### Note 3, continued

<b>Investments by country</b>	<b>2021</b>	<b>2020</b>
Sweden	38,396.6	47,346.0
Supranationals	8,757.8	7,390.2
Germany	6,134.6	5,618.0
Finland	1,391.6	1,127.1
United Kingdom	580.5	809.8
Denmark	-	167.8
<b>Total</b>	<b>55,261.1</b>	<b>62,458.9</b>

<b>Investments by rating</b>	<b>2021</b>	<b>2020</b>
AAA	51,704.2	59,401.0
AA	2,976.4	2,248.1
A	580.5	809.8
<b>Total</b>	<b>55,261.1</b>	<b>62,458.9</b>

<b>Investments by issuer category</b>	<b>2021</b>	<b>2020</b>
National governments or central banks	38,396.6	46,966.3
Credit institute	8,757.8	8,102.4
<i>of which, subsidised lenders</i>	8,106.7	6,432.8
<i>of which, investment repos</i>	6,772.0	379.7
<i>of which, bank balances</i>	-	1,289.9
Multilateral development banks	1,334.7	7,390.2
<b>Total</b>	<b>55,261.1</b>	<b>62,458.9</b>

#### *Capital requirement for issuer risk*

When calculating capital requirements for issuer risk, Kommuninvest uses the standard method in accordance with the CRR regulations, where the exposure value is equivalent to the recognised value. The risk-weighted exposure value is calculated by the exposure being assigned a risk weight in accordance with the regulations. The risk-weighted exposure value is multiplied by 8 percent and, accordingly, the capital requirement for issuer risk amounts to SEK 21.4 (20.6) million.

#### *Concentration in issuer risk*

In addition to the losses justified by an individual issuer's creditworthiness, there is also a risk of further losses as a result of issuers' risk of default co-varying. The correlation in the risk of default can be explained by factors such as industrial and geographical affiliation. The Company's assignment, to provide credit to the local government sector, entails concentrations in the provision of credit. In other contexts, the corresponding risk also applies to counterparties and customers. Concentrations in risk in credit provision are controlled by means of limits on lending to individual customers. However, since all of the Company's 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 controlled, in part, through 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. Accordingly, the Company's concentration risk derives solely from issuers in the Company's liquidity reserve. This is controlled through limits on individual counterparties and through country limits. For this concentration risk, the Company recognises capital requirements as shown below.

#### *Capital requirement for concentration in issuer risk*

The calculations of capital requirements for credit risk-related concentration risk implemented by the Company are based on the method described in the Swedish Financial Supervisory Authority's (Finansinspektionen) memorandum "FI's methods for assessing individual risk types under Pillar II" from 8 May 2015. Credit-related concentration risks are measured for three concentrations: geographic concentration, industry-specific concentration, name concentration.

Concentration risks are estimated applying the Herfindahl index, meaning that exposures are grouped and weighted in relation to their share of the total exposure. A higher Herfindahl index means a greater concentration. Capital requirements for concentration risks are subsequently calculated, applying formulas, as a proportion of the capital requirement for credit risk under Pillar I. When the calculations were performed as per 31 December 2021, the capital requirement under Pillar II for concentration risks in the liquidity reserve was 16.6 (18.0) percent of the capital requirement for credit risk under Pillar I, that is to say, SEK 5.1 (5.2) 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. The market risks are divided into interest rate risk, foreign exchange risk, credit market risk, as well as other price risks. Market risk mainly arises from mismatches between assets and liabilities. The Company's exposure to market risk is limited by means of derivative contracts. The Company accepts some exposure to market risks to increase operational efficiency, but never for speculative purposes.

#### *Interest rate risk*

Interest rate risk is defined as the risk of a 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 assume interest rate risk positions for speculative purposes but only to manage its operations. Risk management is based on matching interest maturities between assets and liabilities. When necessary, derivatives are used to achieve favourable matching. Interest rate risk includes earnings risks, meaning the risk of losses resulting from revenues or expenses deviating from the business plan and forecasts.

*Note 3, continued*

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

Periods of fixed interest	Nominal amount						Total
	2021	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	
<b>Assets</b>							
Cash and balances with central banks	7,672.5	-	-	-	-	-	7,672.5
Sovereign bonds eligible as collateral	29,572.0	1,150.0	-	-	-	-	30,722.0
Lending to credit institutions	1,334.7	-	-	-	-	-	1,334.7
Bonds and other interest-bearing securities	3,860.0	8,356.5	3,225.3	-	-	-	15,441.8
Lending	224,826.6	31,224.2	169,283.6	33,533.4	1,823.5	0.0	460,691.3
Derivative investments	11,277.8	-8,192.5	-3,085.3	-	-	-	-
Derivative lending	223,143.9	-21,426.2	-166,782.6	-33,360.4	-1,574.8	0.0	0.0
Other assets	1,601.7	-	-	-	-	1,019.3	2,621.0
<b>Total assets</b>	<b>503,289.2</b>	<b>11,112.0</b>	<b>2,641.0</b>	<b>173.0</b>	<b>248.8</b>	<b>1,019.3</b>	<b>518,483.3</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	275.1	-	-	-	-	-	275.1
Securities issued	35,666.5	100,845.7	338,793.2	33,950.0	250.0	-	509,505.4
Derivative funding	454,863.2	-92,078.0	-337,466.2	-33,950.0	-	-	-8,631.0
Other liabilities	3,503.3	-	-	-	-	926.9	4,430.2
Subordinated liabilities	-	-	-	-	-	-	-
Equity	-	-	-	-	-	9,622.3	9,622.3
<b>Total liabilities and equity</b>	<b>494,308.1</b>	<b>8,767.7</b>	<b>1,327.0</b>	<b>0.0</b>	<b>250.0</b>	<b>10,549.2</b>	<b>515,202.0</b>
Difference, assets and liabilities.	8,981.1	2,344.3	1,314.0	173.0	-1.2	-9,529.9	3,281.4
Periods of fixed interest	Nominal amount						
2020	0-3 months	3 months-1 year	1-5 years	5-10 years	More than 10 years	Without interest	Total
<b>Assets</b>							
Cash and balances with central banks	18,931.9	-	-	-	-	-	18,931.9
Sovereign bonds eligible as collateral	26,029.8	2,000.0	-	-	-	-	28,029.8
Lending to credit institutions	1,669.6	-	-	-	-	-	1,669.6
Bonds and other interest-bearing securities	3,481.5	1,936.7	8,219.7	-	-	-	13,637.9
Lending	222,674.7	27,978.6	146,953.2	42,866.3	2,367.8	-	442,840.6
Derivative investments	9,908.3	-1,552.6	-8,355.7	-	-	-	-
Derivative lending	193,781.4	-8,338.2	-142,914.1	-40,403.0	-2,126.1	-	-
Other assets	16,296.9	-	-	-	-	389.6	16,686.5
<b>Total assets</b>	<b>492,774.1</b>	<b>22,024.5</b>	<b>3,903.1</b>	<b>2,463.3</b>	<b>241.7</b>	<b>389.6</b>	<b>521,796.3</b>
<b>Liabilities and equity</b>							
Liabilities to credit institutions	930.0	-	-	-	-	-	930.0
Securities issued	42,905.0	97,347.2	304,870.4	48,781.8	1,250.0	-	495,154.4
Derivative funding	432,119.9	-71,473.6	-303,229.4	-46,233.8	-1,000.0	-	10,183.1
Other liabilities	94.3	-	-	-	-	334.6	428.9
Subordinated liabilities	-	-	-	-	-	-	-
Equity	-	-	-	-	-	8,704.2	8,704.2
<b>Total liabilities and equity</b>	<b>476,049.2</b>	<b>25,873.6</b>	<b>1,641.0</b>	<b>2,548.0</b>	<b>250.0</b>	<b>9,038.8</b>	<b>515,400.6</b>
Difference, assets and liabilities.	16,724.9	-3,849.1	2,262.1	-84.7	-8.3	-8,649.2	6,395.7

*Sensitivity analysis of financial value*

According to a fixed limit set by the Board of Directors, the exposure to interest rate risk in the portfolio may never exceed SEK 100 million given a one percentage point parallel shift in the yield curve. At year-end, the exposure (throughout the portfolio) amounted to a positive SEK 12.5 (negative 29.1) million given a one percentage point parallel shift (upwards) in the

yield curve. An exposure with a positive value means an increase in the economic value of assets and liabilities if the interest rate rises and a decrease in the economic value of assets and liabilities if the interest rate falls. If only transactions valued at fair value are taken into account, the result would

## FINANCIAL STATEMENTS

### Note 3, continued

change by SEK 213.1 (134.5) 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. Earnings from assets 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 80.7 (123.8) 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 40.3 (61.9) million over a one-year period.

#### *Capital requirement for interest rate risk*

The capital requirement for interest rate risk under Pillar II has been calculated based on the Swedish Financial Supervisory Authority's (Finansinspektionen) model for interest rate risk in the banking book. The model calculates the change in the value of the Company's net assets, given a number of change scenarios for the zero coupon curve.

The change scenarios consist partly of parallel displacements, upwards and downwards, where the magnitude of the shift is based on historical market data and partly of four changes in the

curve gradient, where the interest rate curve increases or decreases over short or long maturities. As one of the ten largest institutes in Sweden, Kommuninvest calculates the capital requirement according to the advanced approach, in which cash flows are grouped by trading day. Under Pillar II, a capital requirement for interest rate risk of SEK 101.2 (106.9) 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 are mismatched in terms of size in the balance sheet. 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 such returns continuously being exchanged to SEK. The maximum permitted exposure corresponds to SEK 5 million in each currency.

#### *Capital requirement for foreign exchange risk*

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

The capital requirement under Pillar II is calculated by multiplying the exposure by the foreign exchange fluctuations over the year. In 2021, the SEK/EUR and SEK/USD foreign exchange rates fluctuated by as much as 7 (8) percent per month. An exchange rate fluctuation of 7 (8) percent, with an exposure of SEK 5 million, would entail a capital requirement of SEK 0.3 (0.4) million per month. Accordingly, on an annual basis, this corresponds to a capital requirement of SEK 4.1 (4.8) million.

Assets and liabilities by currency			Recognised value					
2021	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Cash and balances with central banks	7,672.5	-	-	-	-	-	-	7,672.5
Sovereign bonds eligible as collateral	30,723.5	-	-	-	-	-	0.6	30,724.1
Lending to credit institutions	754.1	93.0	487.4	0.1	0.0	0.1	0.0	1,334.7
Bonds and other interest-bearing securities	6,936.2	-	8,602.8	-	-	-	-9.2	15,529.8
Lending	461,067.1	-	-	-	-	-	-416.8	460,650.3
Derivatives	-103,085.8	-31.4	102,514.3	406.3	1,815.5	1,985.9	2,124.5	5,729.3
Other assets	1,567.3	-	1,053.7	-	-	0.0	-	2,621.0
<b>Total assets</b>	<b>405,634.9</b>	<b>61.6</b>	<b>112,658.2</b>	<b>406.4</b>	<b>1,815.5</b>	<b>1,986.0</b>	<b>1,699.1</b>	<b>524,261.7</b>
<b>Liabilities and equity</b>								
Liabilities to credit institutions	277.7	-	-	-	-	-	-	277.7
Securities issued	334,645.9	-	161,038.5	5,668.2	3,355.7	3,333.4	-1,961.6	506,080.1
Derivatives	59,071.9	60.8	-50,491.5	-5,261.8	-1,540.2	-1,347.5	3,359.7	3,851.4
Other liabilities	1,936.6	-	2,111.8	-	-	-	381.8	4,430.2
Subordinated liabilities	-	-	-	-	-	-	-	-
Equity	9,703.1	-	-	-	-	0.0	-80.8	9,622.3
<b>Total liabilities and equity</b>	<b>405,635.2</b>	<b>60.8</b>	<b>112,658.8</b>	<b>406.4</b>	<b>1,815.5</b>	<b>1,985.9</b>	<b>1,699.1</b>	<b>524,261.7</b>
<b>Difference, assets and liabilities</b>	<b>-0.3</b>	<b>0.8</b>	<b>-0.6</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-

*Note 3, continued*

Assets and liabilities by currency		Recognised value							
2020		SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
<b>Assets</b>									
Cash and balances with central bank	18,931.2	-	-	-	-	-	-	-	18,931.2
Sovereign bonds eligible as collateral	27,699.7	-	334.6	-	-	-	-	0.9	28,035.2
Lending to credit institutions	859.8	35.5	774.2	0.0	0.0	0.1	-	-	1,669.6
Bonds and other interest-bearing securities	6,923.4	-	6,860.5	-	-	-	-	39.0	13,822.9
Lending	443,237.9	-	-	-	-	-	-	2,550.9	445,788.8
Derivatives	-16,175.2	785.2	2,692.5	5,139.5	1,732.5	3,547.2	4,707.7	2,429.4	
Other assets	13,714.8	-	2,937.8	-	-	-	33.9	16,686.5	
<b>Total assets</b>	<b>495,191.6</b>	<b>820.7</b>	<b>13,599.6</b>	<b>5,139.5</b>	<b>1,732.5</b>	<b>3,547.3</b>	<b>7,332.4</b>	<b>527,363.6</b>	
<b>Liabilities</b>									
Liabilities to credit institutions	379.7	565.0	-	-	-	-	-	2.3	947.0
Securities issued	304,526.3	2,520.4	167,250.7	8,339.5	3,956.1	7,304.7	4,408.2	498,305.9	
Derivatives	181,119.2	-2,269.7	-153,737.5	-3,200.0	-2,223.6	-3,757.5	3,046.7	18,977.6	
Other liabilities	337.4	5.1	86.4	-	-	0.0	-	428.9	
Subordinated liabilities	-	-	-	-	-	-	-	-	
Equity	8,829.0	-	-	-	-	-	-124.8	8,704.2	
<b>Total liabilities and equity</b>	<b>495,191.6</b>	<b>820.8</b>	<b>13,599.6</b>	<b>5,139.5</b>	<b>1,732.5</b>	<b>3,547.2</b>	<b>7,332.4</b>	<b>527,363.6</b>	
<b>Difference, assets and liabilities</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>-</b>	<b>-</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency	-	0.0	0.0	0.0	0.0	0.0	0.0	-	-

*Credit market risk*

Credit market risk is defined as 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 is divided into two sub-categories: (a) credit spread risk on derivatives (CVA risk) and credit spread risk on lending, funding and investments, and (b) basis spread risk.

*Credit spread risk on lending, funding and investments, and basis spread risk*

Credit spread risk on lending, funding and investments, and basis spread risk arises primarily as a consequence of imbalances in maturities between assets and liabilities valued at fair value. The Company restricts the credit market risk through good maturity matching between assets (loans and investments) and liabilities (funding and equity). Shown below is the Company's sensitivity to general changes in market credit spreads corresponding to a basis point parallel shift (upwards).

Sensitivity to credit market risk	2021	2020
Investments, fair value option	-1.2	-2.1
Lending	-19.5	-19.1
Funding	22.4	22.4
<b>Total</b>	<b>1.7</b>	<b>1.2</b>

*Credit spread risk on derivatives (CVA risk)*

The credit spread risk on derivatives (CVA risk) derives from the risk of the Company's income statement being adjusted for the risk of changes in credit rating, or Credit Value Adjustment (CVA). CVA is a price adjustment applied to derivatives depending on the development of CDS prices, FX volatility and the exposure to the counterparty. CVA can be considered equal to the deviation from the risk-free price of a contract and is often interpreted as the market price for counterparty risk. At the end of the year, recognised CVA amounted to SEK 4.1 (5.1) million.

CVA risk refers to the risk that the Company's earnings will be negatively affected by an increase in reported CVA.

*Capital requirement for credit market risk*

A total capital requirement under Pillar II for credit market risk (excluding credit spread on 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 on which the capital requirement calculation is based are either historical, simulated or theoretical. The historical and simulated scenarios are intended to capture periods when fluctuations were greatest in the credit markets where the Company makes business transactions.

The simulated scenarios 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.

## FINANCIAL STATEMENTS

### Note 3, continued

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 and simulated scenarios do not necessarily cover all of the various possible scenarios.

In the calculations performed as per 31 December 2021, the total capital requirement for credit market risk amounted to SEK 1,329.3 (1,711.9) million.

In calculating capital requirements for CVA risk under Pillar I, Kommuninvest applies the standardised method in the capital requirement regulations (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. The Company's derivatives entered into after 1 March 2017 are included in the daily reconciliation with the exchange of collateral, which reduces the capital requirement. At the end of the year, the capital requirement for CVA risk was SEK 67.6 (59.3) 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.

#### Liquidity risk

Liquidity risk refers to the risk that it will not be possible to meet payment obligations on maturity. Kommuninvest's liquidity risk management is pervaded by a highly restrictive attitude towards liquidity risk, with the risk being limited by maintaining a liquidity reserve of highly liquid assets. The 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 Company also manages structural liquidity risk, which is the risk that the Company has not financed its long-term commitments in advance. This risk is restricted, in part, through access to liquid funding markets and, in part, through good matching of maturities between assets and liabilities.

The Company's principal assignment is to act as a local government debt office and to ensure access to stable and efficient funding for the local government sector. The greatest risk that the Company will not be able to fulfil its assignment as a local government debt office is that the Company would not have access to sufficient liquidity to cover the needs of the local government sector. The Company has identified this risk as a local government debt office liquidity risk and primarily manages this through access to liquid funding markets.

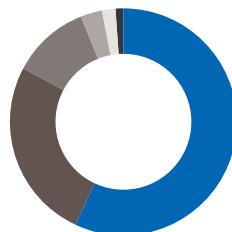
#### Liquid funding markets

To ensure that funding activities provide the necessary conditions to cover lending and funding maturities, even under aggravated market conditions, the Company has access to liquid funding markets with broad investor bases. The Company's strategic funding markets are the Swedish Benchmark Programme and benchmark funding in USD and EUR within the EMTN programme (Euro Medium Term Note). Short-term

funding in the form of commercial papers are made within the ECP programme (Euro-Commercial Paper) and the Swedish commercial paper programme. The Company maintains a continuous market presence in these programmes. The Company has previously been active in the Japanese Uridashi market, but chose to leave that market in November 2021. In its strategic funding markets, the Company issues Green Bonds on an ongoing basis.

#### Total funding by type of instrument

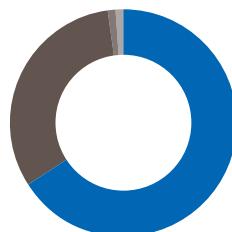
2021 (2020)



Swedish Benchmark Programme	57 (53) %
Benchmark funding, other currencies	26 (25) %
Green Bonds	11 (9) %
ECP, Euro-Commercial Paper Programme	3 (8) %
Private Placement	2 (2) %
Uridashi	1 (2) %
Swedish Commercial Paper Programme	0 (1) %
Bank loans	- (0) %

#### Total funding by currency

2021 (2020)



SEK	66 (62) %
USD	32 (34) %
JPY	1 (2) %
AUD	1 (1) %
GBP	0 (1) %
Other currencies	0 (1) %

#### Good matching between assets and liabilities

When assets and liabilities have different maturities, liquidity risks arise. To minimise this risk, the Company strives to achieve good matching between assets (lending and investments) and liabilities (funding and equity). Assets and liabilities with maturities of more than one year are to be matched. 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 2.4 (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 loaned funds.

At year-end, the average maturity on the Company assets amounted to 2.4 (2.4) years, with capital tied up in the Company's lending portfolio for an average 2.7 (2.7) years, and with capital tied up in the liquidity reserve for 0.2 (0.3) years.

#### 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.

*Note 3, continued***Maturity profile, balance sheet**

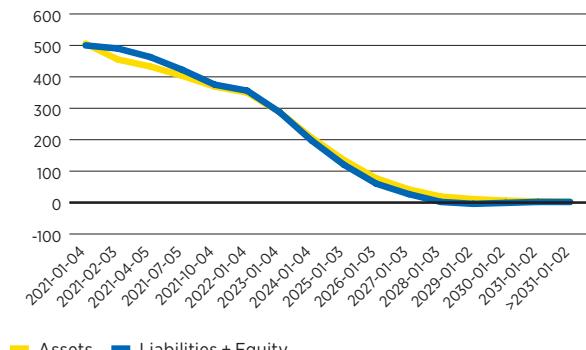
31 Dec 2021

SEK bn

**Maturity profile, balance sheet**

31 Dec 2020

SEK bn



2021	Contractual, non-discounted cash flows							Recognised value
	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity	Total	
<b>Assets</b>								
Cash and balances with central banks	7,672.5	-	-	-	-	-	7,672.5	7,672.5
Sovereign bonds eligible as collateral	-	29,572.0	1,150.0	-	-	-	30,722.0	30,724.1
Lending to credit institutions	-	1,334.7	-	-	-	-	1,334.7	1,334.7
Bonds and other interest-bearing securities	-	3,469.0	8,864.7	3,231.8	-	-	15,565.5	15,529.8
Lending	-	33,874.5	75,020.2	314,505.5	46,540.3	-	469,940.5	460,650.3
Derivatives	-	1,321.6	3,472.9	6,247.2	394.6	-	11,436.3	5,729.3
Other assets	-	2,621.0	-	-	-	-	2,621.0	2,621.0
<b>Total assets</b>	<b>7,672.5</b>	<b>72,192.8</b>	<b>88,507.8</b>	<b>323,984.5</b>	<b>46,934.9</b>	-	<b>539,292.5</b>	<b>524,261.7</b>
<b>Liabilities and equity</b>								
Liabilities to credit institutions	-	277.7	-	-	-	-	277.7	277.7
Securities issued	-	28,834.6	105,379.2	346,238.0	34,823.8	-	515,275.6	506,080.1
Derivatives	-	1,165.4	1,337.7	3,462.0	300.4	-	6,265.5	3,851.4
Other liabilities	-	4,430.2	-	-	-	-	4,430.2	4,430.2
Subordinated liabilities	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	9,622.3	9,622.3	9,622.3
<b>Total liabilities and equity</b>	<b>-</b>	<b>34,707.9</b>	<b>106,716.9</b>	<b>349,700.0</b>	<b>35,124.2</b>	<b>9,622.3</b>	<b>535,871.3</b>	<b>524,261.7</b>
<b>Total difference</b>	<b>7,672.5</b>	<b>37,484.9</b>	<b>-18,209.1</b>	<b>-25,715.5</b>	<b>11,810.7</b>	<b>-9,622.3</b>	<b>3,421.2</b>	<b>0.0</b>
Committed loans		239.1						239.1
Committed, undisbursed loans <sup>1</sup>		-251.7		-20.9	175.3	106.6	-	9.4

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

## FINANCIAL STATEMENTS

Note 3, continued

2020	Contractual, non-discounted cash flows						Total	Recognised value
	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity		
<b>Assets</b>								
Cash and balances with central banks	18,931.2	-	-	-	-	-	18,931.2	18,931.2
Sovereign bonds eligible as collateral	-	26,034.4	2,000.0	-	-	-	28,034.4	28,035.2
Lending to credit institutions	-	1,669.6	-	-	-	-	1,669.6	1,669.6
Bonds and other interest-bearing securities	-	2,924.2	2,020.6	8,901.2	-	-	13,846.0	13,822.9
Lending	-	25,132.5	76,789.0	287,500.8	60,884.5	-	450,306.8	445,788.8
Derivatives	-	1,434.5	3,053.1	5,087.6	325.2	-	9,900.4	2,429.4
Other assets	-	16,686.5	-	-	-	-	16,686.5	16,686.5
<b>Total assets</b>	<b>18,931.2</b>	<b>73,881.7</b>	<b>83,862.7</b>	<b>301,489.6</b>	<b>61,209.7</b>	-	<b>539,374.9</b>	<b>527,363.6</b>
<b>Liabilities and equity</b>								
Liabilities to credit institutions	-	379.7	563.7	-	-	-	943.4	947.0
Securities issued	-	36,310.1	100,844.2	313,842.1	50,716.9	-	501,713.3	498,305.9
Derivatives	-	2,886.7	4,717.0	11,842.7	353.4	-	19,799.8	18,977.6
Other liabilities	-	428.9	-	-	-	-	428.9	428.9
Subordinated liabilities	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	8,704.2	8,704.2	8,704.2
<b>Total liabilities and equity</b>	<b>-</b>	<b>40,005.4</b>	<b>106,124.9</b>	<b>325,684.8</b>	<b>51,070.3</b>	<b>8,704.2</b>	<b>531,589.6</b>	<b>527,363.6</b>
<b>Total difference</b>	<b>18,931.2</b>	<b>33,876.3</b>	<b>-22,262.2</b>	<b>-24,195.2</b>	<b>10,139.4</b>	<b>-8,704.2</b>	<b>7,785.3</b>	-
Committed loans	355.3	-	-	-	-	-	<b>355.3</b>	-
Committed, undisbursed loans <sup>1</sup>	-	-1,667.2	443.5	812.8	429.1	-	<b>18.2</b>	-

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

### Liquidity reserve

To ensure good liquidity preparedness even during periods of stress (e.g. aggravating financing opportunities in the capital markets), the Company maintains a liquidity reserve. The liquidity reserve is defined as the Company's holdings in securities, investment repos and bank balances. Bank balances refer to investments lacking underlying securities. The Company's own 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, an LCR of 100 percent ensures that, in the short term, the Company's liquidity reserve comprises sufficiently liquid assets to meet net cash outflows over the ensuing 30 days in a stressed situation.

Kommuninvest measures and monitors LCR on a daily basis in part, on an overall level and, in part, for significant currencies, that is, within each currency where the Company has funding amounting to 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 2021, was 376.1 (271.8) percent, 67,313.5 (491.8) percent in USD and 675.0 (502.4) percent in SEK (see the table on the next page).

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 142.9 (141.5) percent.

*Note 3, continued*

<b>Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations</b>	2021			2020		
	Total	USD	SEK	Total	USD	SEK
Extremely highly liquid assets (Level 1), excluding covered bonds	52,218.1	946.1	43,674.3	60,629.8	868.6	53,532.0
Extremely highly liquid covered bonds (Level 1)	-	-	-	0.0	0.0	0.0
Highly liquid assets (Level 2)	-	-	-	0.0	0.0	0.0
<b>Liquidity buffer, SEK million</b>	<b>52,218.1</b>	<b>946.1</b>	<b>43,674.3</b>	<b>60,629.8</b>	<b>868.6</b>	<b>53,532.0</b>
Cash outflows, SEK million	-15,530.3	-5.6	-7,920.1	-25,048.5	-706.4	-13,136.0
Cash inflows, SEK million	1,646.0	4.2	1,450.0	2,738.1	529.8	2,480.0
<b>Net cash outflow, SEK million</b>	<b>-13,884.3</b>	<b>-1.4</b>	<b>-6,470.1</b>	<b>-22,310.4</b>	<b>-176.6</b>	<b>-10,656.0</b>
<b>Liquidity coverage ratio (%)</b>	<b>376.1</b>	<b>67,313.5</b>	<b>675.0</b>	<b>271.8</b>	<b>491.8</b>	<b>502.4</b>

**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, the President and 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.

**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 President and CEO is responsible, alongside all department managers, for conducting 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 President and 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 respective process owners are responsible for ensuring that employees report such incidents and that measures are taken to handle the incidents.

**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 in the Company's operations, 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.

## FINANCIAL STATEMENTS

### Note 3, continued

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 I for operational risks amounts to SEK 91.0 (107.0) million.

#### **Strategic risk**

Strategic risk refers to 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.

Included under strategic risk is business risk, which 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.

#### *Capital requirement for strategic risk*

The Company's assessment is that the capital requirement for strategic risk is managed within operational risks.

#### **Stakeholder risk**

Stakeholder risk refers to the risk of a ratings agency, customer, member, employee, investor, mass media organisation, national assembly, central government or other stakeholder losing confidence in the Company and its business concept.

The Company's stakeholder risk is managed by the Company safeguarding a sound risk culture based on local government values, regulatory compliance and good internal governance and control. An analysis of the level of risk is performed on a regular basis and reported to the Board of Directors, the President and CEO and the management.

#### *Capital requirement for Stakeholder risk*

The Company's assessment is that the capital requirement for stakeholder risk is managed within operational risks.

#### **Compliance risk**

Regulatory compliance risk refers to the risk of the Company failing to comply with current external or internal regulations and thereby risking being sanctioned, suffering losses or impairment or loss of reputation.

The Company works continuously with external monitoring and analysis of regulatory changes to reduce the Company's regulatory compliance risks. External monitoring is coordinated by the Company's regulatory group, which also verifies the analyses. The principal responsibility for the operation being conducted in accordance with current regulations rests with the operational organisation. The regulatory compliance function contributes both pro-actively through advice and support for the operational organisation and reactively by examining and checking the risk management processes. In preparation for each year, an analysis is made of the Company's regulatory compliance risks and, based on that analysis, a plan

is drawn up for the future work of the function. The plan is approved by the President and CEO and is reported to the Board of Directors.

#### *Capital requirement for regulatory compliance risk*

The Company's assessment is that the capital requirement for regulatory compliance risk is addressed within the operational risks.

#### **Sustainability risk**

Sustainability risk refers to the risk of the Company directly or indirectly negatively affecting or being affected in the areas of the environment and climate, corruption, human rights, working conditions or business ethics.

Sustainability risks are managed by considering economic, social and environmental sustainability throughout the operations. Requirements are based on national and international regulations and guidelines in the areas of the environment and climate, corruption, human rights, working conditions or business ethics. An analysis of the level of risk is performed on a regular basis and reported to the Board of Directors, the President and CEO and the management.

#### *Capital requirement for sustainability risk*

The Company's assessment is that the capital requirement for sustainability risk is addressed within the operational risks.

#### **Capital adequacy**

The capital adequacy requirements are calculated in accordance with the Supervisory Regulation (EU) No. 575/2013, also known as the CRR (Capital Requirements Regulation), which is directly applicable in Sweden and the Capital Adequacy Directive EU 2013/36, which is implemented in Sweden through legislation and regulations issued by Finansinspektionen. On 28 September 2021, the Swedish Financial Supervisory Authority (Finansinspektionen) decided to increase the buffer value to 1 percent, applicable as of 29 September 2022. Until then, the buffer value of 0 percent, applicable since 16 March 2020, remains in effect.

Capital base	2021	2020
Capital Instruments <sup>1</sup>	8,975.0	7,100.0
Non-distributed retained earnings <sup>2</sup>	629.8	484.5
Accumulated other comprehensive income and other reserves	17.5	17.5
<b>Core Tier I capital before regulatory adjustments</b>	<b>9,622.3</b>	<b>7,602.0</b>
Further value adjustments	-218.9	-225.4
Intangible assets	-4.2	-
<b>Total regulatory adjustments to core Tier I capital</b>	<b>-223.1</b>	<b>-225.4</b>
<b>Total core Tier I capital</b>	<b>9,399.2</b>	<b>7,376.6</b>
Tier I capital contributions	-	-
<b>Total Tier I capital</b>	<b>9,399.2</b>	<b>7,376.6</b>
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>9,399.2</b>	<b>7,376.6</b>

1) For a more detailed description of the constituent instruments, see page 57.

2) As of 31 December 2020, deductions of SEK 2.2 million have been made, which refer to the portion of net profit that has not been distributed to the Kommuninvest Cooperative Society in the form of Group contributions and which may not be included in the capital base prior to a decision by the Annual General Meeting in accordance with CRR Article 26.

## Note 3, continued

Risk exposure amounts and minimum capital amounts	2021			2020		
	Risk exposure	Capital requirement, percent	Capital requirement	Risk exposure	Capital requirement, percent	Capital requirement
<b>Capital requirement, Pillar I</b>						
Capital requirement for credit risks (the standardised method)	383.9	8.0%	30.7	360.3	8.0%	28.8
<i>of which, institutional exposures</i>	267.1	8.0%	21.4	258.2	8.0%	20.6
<i>of which, corporate exposures</i>	116.8	8.0%	9.3	102.1	8.0%	8.2
Operational risks, basic indicator method	1,137.5	8.0%	91.0	1,337.1	8.0%	107.0
Credit valuation adjustment	845.3	8.0%	67.6	741.4	8.0%	59.3
<b>Total risk exposure amount and minimum capital amount</b>	<b>2,366.7</b>	<b>8.0%</b>	<b>189.3</b>	<b>2,438.8</b>	<b>8.0%</b>	<b>195.1</b>

Capital adequacy ratios	2021		2020		Leverage ratio	
					2021	2020
Core Tier I capital ratio	397.1%		302.5%			
Tier I capital ratio	397.1%		302.5%			
Total capital ratio	397.1%		302.5%			
Specific capital base requirements for risks other than insufficient leverage ratio <sup>1</sup>	2021		2020			
Additional capital base requirements, Core Tier I capital	42.1%	995.7	-	-		
Additional capital base requirements, Tier I capital	14.0%	331.8	-	-		
Additional capital base requirements, Tier II capital	18.7%	442.6	-	-		
<b>Total specific capital base requirements for risks other than insufficient leverage ratio</b>	<b>74.8%</b>	<b>1,770.1</b>	-	-		

1) In accordance with the Swedish Financial Supervisory Authority's (Finansinspektionen) decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance

Combined buffer requirement	2021		2020	
Capital conservation buffer	2.5%	59.2	2.5%	61.0
Countercyclical buffer	-	-	-	-
Systemic risk buffer	-	-	-	-
<b>Total buffer requirements</b>	<b>2.5%</b>	<b>59.2</b>	<b>2.5%</b>	<b>61.0</b>
<b>Core Tier I capital available for use as buffer</b>	<b>314.4%</b>	<b>7,439.8</b>	<b>294.5%</b>	<b>7,181.5</b>

Total risk-based capital base requirement	2021		2020	
Capital base requirement in accordance with Pillar I	8.0%	189.3	8.0%	195.10
Capital base requirement, Pillar II requirement <sup>1</sup>	74.8%	1770.1	-	-
Combined buffer requirement	2.5%	59.2	2.5%	61.0
Pillar II guidance <sup>1</sup>	-	-	-	-
<b>Total risk-based capital base requirement</b>	<b>85.3%</b>	<b>2,018.6</b>	<b>10.5%</b>	<b>256.1</b>

1) In accordance with the Swedish Financial Supervisory Authority's (Finansinspektionen) decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance

Other information to be provided in accordance with section 8 of the CRR and the Swedish Financial Supervisory Authority's (Finansinspektionen) regulations and general advice on annual accounts in credit institutions and securities companies, FFFS 2008:25, see Kommuninvest's website.

Leverage ratio	2021		2020	
Total assets	524,261.7		527,363.6	
Less asset amounts deducted to determine the core Tier I capital	-223.1		-225.4	
Adjustment for derivative instruments	-2,176.8		-11,717.2	
Deduction in the form of exposure to members and their companies	-460,650.3		-445,822.7	
Plus possible change in risk in connection with repo transactions	0.7		-	
<b>Total exposure</b>	<b>61,212.2</b>		<b>69,598.3</b>	
<b>Tier I capital, calculated applying transitional rules, see the section Capital adequacy</b>	<b>9,399.2</b>		<b>7,376.6</b>	
<b>Leverage ratio</b>	<b>15.36%</b>		<b>10.60%</b>	

Leverage ratio, capital base requirements	2021		2020	
Capital base requirement in accordance with Pillar I	3.0%	1,836.4	-	-
Capital base requirement, Pillar II requirement <sup>1</sup>	-	-	-	-
Pillar II guidance <sup>1</sup>	-	-	-	-
<b>Total assessed capital base requirement</b>	<b>3.0%</b>	<b>1,836.4</b>	-	-

1) In accordance with the Swedish Financial Supervisory Authority's (Finansinspektionen) decision of 24 September 2021, in connection with the review and assessment process and addressing specific capital base requirements, liquidity requirements and Pillar II guidance

## Internally assessed capital requirement

The difference between the Company's internal assessment and Finansinspektionen's capital base requirements and Pillar II guidance, mainly comprises the capital requirement for insufficient leverage ratio. In the Company's assessment, the capital requirement for the risk of insufficient leverage ratio is equivalent to the difference between a leverage ratio of 0.7 and other risk-adjusted capital requirements, including the buffers in Pillars I and II. In the Swedish Financial Supervisory Authority's (Finansinspektionen) assessment, the Pillar II guidance on leverage ratio should be met at the Group level and not at the individual Company level.

Internally assessed capital requirements	2021		2020	
<b>Capital requirement, Pillar II</b>				
Credit risk	31.6		20.7	
Market risks	1,434.7		1,823.6	
Capital planning buffer	1,006.0		1,069.3	
<b>Total internally assessed capital requirement (Pillar II), excluding the risk of insufficient leverage ratio</b>	<b>2,472.3</b>		<b>2,913.6</b>	
Internally assessed capital requirement for the risk of insufficient leverage ratio	934.0		446.0	
<b>Total internally assessed capital requirement (Pillar II)</b>	<b>3,406.3</b>		<b>3,359.6</b>	

## FINANCIAL STATEMENTS

### Note 3, continued

Kommuninvest's internal capital assessment forms the basis for the internally assessed capital requirement. For more information on the Company's internal capital assessment and capital plan, see pages 39–40.

#### Capital targets

The Company's capital target for 2021 amounts to SEK 6,700 (6,500) million, corresponding to a 1 percent leverage ratio plus the Board of Directors' buffer of SEK 1000 (900) million. In relation to the Company's capital base, which amounts to SEK 9,399.2 (7,376.6) million, the capital target is met by a good margin. The aim of Kommuninvest's capital planning is for all operations to be adequately capitalised to meet both current and future regulatory requirements. For further information on the Company's internal capital assessment and capital plan, see pages 39–40, for details of capital targets, see the table.

<b>Capital targets</b>	<b>2021</b>	<b>2020</b>
Internally estimated capital requirements	4,000	3,900
Estimated capital requirement (for the Group) according to Finansinspektionen	5,700	5,600
Board of Directors' buffer	1,000	900
<b>Capital targets</b>	<b>6,700</b>	<b>6,500</b>

#### Liquidity

<b>Liquidity Coverage Ratio (LCR)</b>	<b>2021</b>	<b>2020</b>
Total high-quality liquid assets (HQLA) (weighted value)	70,061.2	61,325.4
Cash outflows – total weighted values	32,734.3	34,423.3
Cash inflows – total weighted values	9,494.8	19,659.2
Net cash outflows (adjusted value)	23,365.1	15,183.0
Liquidity coverage ratio, %	318.1	496.8

<b>Net Stable Funding Ratio (NSFR)</b>	<b>2021</b>	<b>2020</b>
Total available stable financing	412,542.7	402,598.8
Total need for stable financing	288,744.0	281,452.8
NSFR, %	143.0%	143.0%

#### External monitoring

##### Reference rate phase-out

The most important reference rates for Kommuninvest, bar none, are the Stibor and USD Libor three-month rates. As a consequence of EUR being approved as a strategic funding market, Euribor and its potential replacement will also become increasingly important.

At the end of the year, Kommuninvest held SEK 725.9 billion in derivatives referencing Stibor 3m and SEK 213.9 billion in lending referencing Stibor 3m. The only instruments outstanding referencing USD Libor 3m were derivatives. The total nominal amount was USD 295.6 billion. The only instruments outstanding referencing Euribor 3m were also derivatives for a nominal total of EUR 0.09 billion.

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. In December, the Swedish Financial Benchmark Facility (SFBF), which administers Stibor, requested that the Swedish Financial Supervisory Authority (Finansinspektionen) issue a conclusive assessment of Stibor's compliance with the regulation.

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 a recommendation regarding refer-

ence rates that could act as a complement and/or alternative to Stibor. The Swedish Bankers' Association published its final recommendations on 15 May 2020.

Following this publication, the development process was taken over by the Swedish central bank (Riksbank) to produce a final framework and reference rate able to function as an alternative for financial contracts in SEK. On 2 September 2021, the Riksbank began publishing the alternative reference rate Swestr, encouraging market participants to replace Stibor T/N (Tomorrow/Next) with the new reference rate. Swestr is a transaction-based reference rate in Swedish kronor and applies to the shortest term, "over-night". Like the Bank of England and the Federal Reserve, the Riksbank also publishes historical averages based on the daily quotations. Publication of average rates based on Swestr commenced in October for terms of 1 week and 1 month, and on 1 November and 1 December for terms of 2 months and 3 months respectively. Publication of a corresponding average rate for a term of 6 months will commence on 1 March 2022.

In the US, at the initiative of the Federal Reserve, an Alternative Reference Rates Committee (ARRC) was appointed as early as in 2014, to determine a reference rate suitable as a replacement for Libor in USD. In June 2017, the Secured Overnight Financing Rate (SOFR) was chosen, an reference rate based entirely on actual repo market transactions. SOFR has been published since early April 2018 and a market for swaps and futures has already been established. SOFR-linked bonds have also been issued since 2018.

On 5 March 2021, ICE Benchmark Administration (IBA, administrator of Libor in USD) announced that the publication of Libor in GBP, EUR, CHF and JPY would cease on 31 December 2021, as planned. For USD, only Libor for terms of 1 week and 2 months ceased at the end of 2021, while other terms (overnight and 1, 3, 6 and 12 months) will continue to be published until 30 June 2023. However, the IBA advises against entering into new Libor agreements after the end of 2021.

In 2021, a project was conducted to enable the operational handling of derivatives referencing SOFR. Handling contracts referencing SOFR is more complex than handling Libor contracts as rates are set daily and, furthermore, retrospectively. This entails bilateral derivative agreements containing numerous technicalities in terms of calculations and payment dates. The Company's capacity for handling the new reference rate was assured with the completion of the project in December 2021.

Although Kommuninvest has assured its capacity for handling SOFR-related contracts, and thus also for handling interest rate and currency risks in connection with new funding in USD, there are a number of contracts referencing USD Libor but maturing after the discontinuation of that reference rate. A small number of interest rate and currency basis swaps are linked to fixed-rate funding and investments in USD. A nominal USD 7.6 billion in interest rate swaps remains outstanding, as well as USD 6.7 billion in currency swaps. Some 30 structured derivatives mature after 30 June 2023, with the payment leg referencing USD Libor 3m. The nominal amount is slightly less than USD 600 million in total.

As a result of these outstanding contracts, Kommuninvest is exposed to operational risks in the handling of the contracts in connection with the transition. However, although the nominal amounts are large, the number of contracts is very small, substantially reducing the scale of operational handling for the swaps and thus the appurtenant risks.

The change of reference interest rate on outstanding contracts could potentially entail earnings risks for Kommuninvest. These are handled by all contracts being covered by the

**Note 3, continued**

same so-called “fallback” rules. Kommuninvest and all of its derivatives counterparties have signed the ISDA’s “IBOR Fallbacks Supplement and Protocol”, which governs how expiring reference rates are to be handled. Accordingly, all outstanding currency swaps referencing USD Libor 3m are covered by the ISDA protocol. All interest rate swaps are cleared in London Clearing House Limited (LCH), which at the transition will follow the ISDA protocol.

In accordance with the ISDA protocol, referencing of USD Libor 3m should switch to SOFR, adding an adjustment spread. On 5 March 2021, the adjustment spread to be applied for USD Libor 3m in accordance with the protocol was set at 26.161 basis points.

**Brexit**

The UK left the EU on 1 February 2020. Prior to the UK's withdrawal, the parties agreed that a transitional period would apply until 31 December 2020, with existing regulations continuing to apply while new agreements were negotiated. This postponed the risk of the UK leaving without an agreement.

For Kommuninvest, this risk lay 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. Despite an agreement being signed late in 2020, uncertainties regarding the financial sector remain. This risk has been managed by approving new counterparties within the EU and negotiating new agreements with them. Preparations for withdrawal without an agreement were made in 2020, with new agreements being drawn up with nine of the Company's prioritised counterparties. Negotiations with other counterparties continued during 2021. The Swedish central government decided to extend the transitional rules until the end of 2021 for companies from third countries that conduct securities operations and some counterparties have chosen to apply these rules. During 2021, the ambition was to novate (transfer) transactions established with financial institutions unable to act as derivatives counterparties after the end of the year because of Brexit. Part of the portfolio was novated during the year. The remaining transactions have yet to be novated because certain counterparties demand compensation for conducting the novation, while other counterparties are not permitted to novate due to internal rules.

Another risk for Kommuninvest has been no longer being able to hedge derivatives subject to clearing obligations under EMIR via LCH of the UK. In order to prevent the risk of disruption, the European Securities and Markets Authority (ESMA) initially decided that LCH would be permitted to provide its services as a clearing house within the EU, even following a Brexit without an agreement, for a transitional period extending until 30 June 2022. This risk has been managed by approving another clearing house, Eurex Clearing AG in Germany. In November, the European Commission announced that a further extension of the temporary exemption is planned, with further information being issued in early 2022.

The assessment is that the UK's exit from the EU will not entail any significant impact on Kommuninvest's earnings, position, disclosures, capital requirements, capital base or large exposures.

**Member responsibilities**

Municipalities and regions that are members of the Kommuninvest Cooperative Society have entered a joint and several guarantee covering all of the Company's commitments. Kommuninvest operations have changed considerably since the inception of the Company in 1986.

In 2010, two agreements were prepared in addition to the basic joint and several guarantee to clarify the responsibility of the members. One is a guarantee agreement regulating the responsibility for counterparty exposures in derivatives and replaces earlier clauses in the documentation of loans. The other is an updated regressive agreement that details the members' mutual responsibility. The agreements clarify and replace the earlier responsibility according to the regressive agreement and promissory Note terms. The agreements were adopted by the member authorities individually during 2011. The distribution of responsibility has been communicated twice annually to members by means of a statement of undertaking based on each member's proportional participation in Kommuninvest's total lending and each member's share of the total contribution capital paid to the Kommuninvest Cooperative Society.

The statement of undertaking is based on the following items in Kommuninvest balance sheet as per 31 December 2021 (SEK, millions).

In the statement of undertaking, the derivatives are recognised net per counterparty, that is, claims against the same counterparty have been netted against liabilities to the same counterparty. In addition, the derivatives recognised above as assets or liabilities have been reduced by pledged assets and collateral received, such as government securities. At 31 December 2021, collateral received amounted to SEK 400.8 (668.2) million and may only be used to cover outstanding exposures. The corresponding collateral for the Company's liabilities relating to derivatives amounts to SEK - (2.0) million. These are disclosed in Note 26, but may not be reduced in the balance sheet.

	2021
Liabilities to credit institutions	277.7
Securities issued	506,080.1
<b>Total funding</b>	<b>506,357.8</b>
<b>LIABILITIES, according to statement of undertaking</b>	
Loaned funding <sup>1</sup>	451,096.7
Funding not loaned <sup>2</sup>	55,261.1
<b>Total funding</b>	<b>506,357.8</b>
Derivatives, connected with loaned funding <sup>1</sup>	178.2
Other liabilities <sup>2</sup>	4,430.2
<b>Total liabilities/undertaking</b>	<b>4,608.4</b>
<b>ASSETS, according to statement of undertaking</b>	
Lending <sup>1</sup> , see Note 14	460,650.3
Liquidity reserve <sup>2</sup> , see Notes 3, 13, 15	55,261.1
Derivatives, connected with on-lent funding <sup>1</sup>	147.3
Other assets <sup>2</sup>	2,621.0
<b>Total assets</b>	<b>518,679.7</b>

1) Basis of allocation: Percentage equivalent to each member's share of Kommuninvest's total lending.

2) Basis of allocation: Percentage equivalent to each member's participation in the total contribution capital paid to the Kommuninvest Cooperative Society.

## Note 4 Net interest income

Interest revenues	2021	2020
Interest revenues calculated according to effective interest method	997.3	1,741.9
<i>of which, lending</i>	1,003.3	1,671.2
<i>of which, interest-bearing securities</i>	-6.0	70.7
Other interest revenues	1.0	1.2
<b>Total</b>	<b>998.3</b>	<b>1,743.1</b>
Of which: interest revenues from financial items not measured at fair value through the income statement	716.7	1,197.1
Interest expenses		
Interest expenses calculated according to effective interest method	-275.3	-973.0
<i>of which, liabilities to credit institutions</i>	-22.0	-26.2
<i>of which, securities issued</i>	-247.3	-942.1
<i>of which lending, negative lending rate</i>	-6.0	-4.7
Other interest expenses	-42.2	-58.8
<b>Total</b>	<b>-317.5</b>	<b>-1,031.8</b>
Of which: interest expenses from financial items not measured at fair value through the income statement	-344.5	-1,110.4
<b>Net interest income</b>	<b>680.8</b>	<b>711.3</b>

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

In this note, revenues are recognised as positive and operating expenses as negative. For further information on net interest income for the period, please see the Comments on the income statement on page 53.

## Note 5 Commission expenses

	2021	2020
Payment agency commissions	8.1	8.4
Brokerage for securities	2.9	3.2
Other commissions	0.4	1.1
<b>Total</b>	<b>11.4</b>	<b>12.7</b>

## Note 6 Net result of financial transactions

	2021	2020
Realised profit	4.8	-1.7
<i>of which, interest-bearing securities</i>	-	-
<i>of which, other financial instruments</i>	4.8	-1.7
Unrealised changes in market value	43.9	-245.3
Exchange rate changes	-1.1	-0.7
<b>Total</b>	<b>47.6</b>	<b>-247.7</b>

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

Net gain/loss by measurement category	2021	2020
Financial assets at fair value through the income statement	-730.6	210.6
<i>of which, compulsory</i>	-180.8	-7.3
<i>of which, fair value option</i>	-549.8	217.9
Financial assets measured at amortised cost	2.5	0.1
Financial liabilities at fair value through the income statement	748.8	-461.2
<i>of which, held for trade</i>	-1,464.6	-68.4
<i>of which, fair value option</i>	2,213.4	-392.8
Financial liabilities measured at amortised cost	-	-
Change in fair value of derivatives that are hedging instruments in a fair value hedge	-1,666.9	648.8
Change in fair value of derivatives that are hedging instruments in a fair value hedge, portfolio	416.0	-34.8
Change in fair value on hedged item with regard to hedged risk in fair value hedging	1,694.7	-645.1
Change in fair value on hedged item with regard to hedged risk in fair value hedging, portfolio	-415.8	34.6
Exchange rate changes	-1.1	-0.7
<b>Total</b>	<b>47.6</b>	<b>-247.7</b>

### Results (net)

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

Kommuninvest has no assets or liabilities that are reported in other comprehensive income. Kommuninvest does not enter any credit risk of its own in the financial statements, see Note 25.

Net profit on financial assets measured at amortised cost amounts to SEK 2.5 (0.2) million. This amount includes compensation for the interest spread of SEK 2.5 (0.2) million, pertaining to prematurely discontinued lending. In all instances, discontinuation has been on the customer's initiative.

## Note 7 Other operating income

	2021	2020
Capital gain on divestments of tangible assets	-	-
Revenue from contracts with customers	8.7	8.2
Other operating income	1.5	3.4
<b>Total</b>	<b>10.2</b>	<b>11.6</b>

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 an 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 a period of one calendar year and are not normally invoiced within that financial year, no adjustment is made for any material financing component since payment terms, invoicing and access to the service occur within an individual 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 also based on 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 8 General administration expenses

In TSEK	2021	2020
<b>Payroll expenses</b>		
Salaries and emoluments	77,714	74,492
Social security contributions	43,564	40,974
<i>of which, social security contributions and wage debt for social security contributions</i>	<i>24,039</i>	<i>22,692</i>
<i>of which, pension expenses</i>	<i>15,820</i>	<i>14,713</i>
<i>of which, special payroll tax on pension expenses</i>	<i>3,705</i>	<i>3,569</i>
Temporary/contract personnel	10,319	7,461
Education/training expenses	2,767	2,698
Other payroll expenses	3,033	2,711
<b>Total payroll expenses</b>	<b>137,397</b>	<b>128,336</b>
<b>Other general administration expenses</b>		
Travel expenses	662	675
IT expenses	25,944	24,489
Consultancy fees	17,971	22,542
Rating expenses	2,324	3,009
Market data	9,080	9,344
Rent and other expenses for premises	6,344	6,116
Annual Report and interim report	752	616
Resolution fee	23,015	20,879
Other operating expenses	24,284	24,151
<b>Total other general administration expenses</b>	<b>110,376</b>	<b>111,821</b>
<b>Total</b>	<b>247,773</b>	<b>240,157</b>

### Salary policy

The Company applies a salary policy that explains that Kommuninvest does not apply variable remuneration. Nor has any variable remuneration been paid to Kommuninvest employees in 2021. No non-recurring remuneration has been approved in connection with new appointments, nor has any severance been paid to Board Members, the President and CEO or other senior executives. No individual employee receives compensation equivalent to EUR 1 million or more per financial year.

### Remuneration to senior executives

Remuneration for the President and CEO has been decided by the Board. For 2021, the President and CEO received TSEK 3,864 (3,443) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 1,234 (1,087) 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 2,223 (2,181) in basic salary for 2021. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 712 (699) 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 member of the Executive Management Team. 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. For further information regarding the composition of Company management and changes during the year, see page 47.

Remuneration to other senior executives in Company management has been determined by the Board. During 2021, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 6,836 (6,508). The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2021, the Chairman of the Board is responsible for an independent review being performed of the Company's salary and compensation policies, for preparing the Board's decisions, and for remuneration to the Executive Management Team, 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 salary policy.

## FINANCIAL STATEMENTS

### Note 8, continued

#### Remuneration to the Board of Directors

At the end of the year, the Board of Directors was composed of 7 (8) members, including the employee representatives, of whom 4 (4) were women. Ellen Bramness Arvidsson is the Chairman of the Board. The 2021 Annual General Meeting resolved that the Board would receive fixed fees of TSEK 600 (600) to the Chairman and a fixed fee of TSEK 330 (330) to each of the other members. No fees were paid to employee representatives.

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

In TSEK	2021	2020
Ellen Bramness Arvidsson (chairman)	600	585
Lars Heikensten	330	321
Erik Langby	330	321
Kristina Sundin Jonsson	330	321
Catrina Ingelstam	330	234
Mats Filipsson, appointed in April 2021	234	-
Anette Henriksson, appointed in April 2021	234	-
Kurt Eliasson, stepped down in April 2021	96	321
Anna von Knoring, stepped down in October 2020	-	239
Johan Törngren, stepped down in April 2020	-	88
Mattias Bokenblom, employee representative	-	-
Kristin Ekblad, employee representative	-	-
<b>Total</b>	<b>2,484</b>	<b>2,430</b>

#### Wages and remunerations

2021, in TSEK	Basic salary/Board fee	Other benefits	Pension expense	Total
Board of Directors	2,484	-	-	2,484
President and CEO	3,864	116	1,234	5,214
Deputy CEO	2,223	-	712	2,934
Others in Company management	6,836	27	2,482	9,345
Other salaried employees	62,307	194	11,392	73,894
<b>Total</b>	<b>77,714</b>	<b>337</b>	<b>15,820</b>	<b>93,871</b>

2020, in TSEK	Basic salary/Board fee	Other benefits	Pension expense	Total
Board of Directors	2,430	-	-	2,430
President and CEO	3,443	116	1,087	4,646
Deputy CEO	2,181	-	699	2,880
Others in Company management	6,508	4	2,204	8,716
Other salaried employees	59,930	60	10,723	70,713
<b>Total</b>	<b>74,492</b>	<b>180</b>	<b>14,713</b>	<b>89,385</b>

Average number of employees	2021	2020
Average number of employees during the year	102	103
of whom, women	44	39

#### Auditing engagement

At the Company's 2020 Annual General Meeting, KPMG AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2024. Auditing engagement refers to the scrutiny of the Annual Report and bookkeeping and administration by the Board of Directors and the President and CEO, 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.

Emoluments and expenses for the auditors, KPMG AB	2021	2020
Auditing engagement	1,869	1,304
Other audit services	608	659
Other Services	-	77

#### Leasing

On 1 January 2019, IFRS 16 Leases came into effect, replacing IAS 17 Leases. RFR 2 includes an option not to apply IFRS 16 in legal entities and to instead apply the rules for lease accounting included in RFR 2. The Company has chosen to apply the option in RFR 2 not to apply IFRS 16.

The tables below show future leasing fees in accordance with RFR 2 and leasing expenses for the period in 2021. The scale of leasing activities is unchanged from previous years. No breakdown has been made based on the terms of the leases, as the leasing activity is such an immaterial part of Kommuninvest's operations. Most of the operating expenses are attributable to the Company's rental of office premises from the subsidiary Kommuninvest Fastighets AB.

#### Future leasing fees

Within 1 year	5,495
3–5 years	4,990
More than 5 years	-
<b>Total</b>	<b>10,485</b>

Leasing expenses for the period	2021	2020
Leasing expenses	6,305	6,087
of which, variable leasing fees	-	-

## Note 9 Other operating expenses

	2021	2020
Insurance expenses	1.3	1.3
Communication and information	1.4	2.6
Other operating expenses	0.1	0.0
<b>Total</b>	<b>2.8</b>	<b>3.9</b>

## Note 10 Net credit losses

	2021	2020
Cash and balances with central banks	0.6	-0.7
Sovereign bonds eligible as collateral	0.7	-0.3
Lending to credit institutions	0.3	0.2
Lending	4.8	11.9
Bonds and other interest-bearing securities	-0.1	0.0
Off-balance sheet items	0.0	0.0
<b>Total</b>	<b>6.3</b>	<b>11.1</b>

In accordance with IFRS 9, Kommuninvest accounts for expected credit losses, Kommuninvest has not had any realised credit losses. For information on the calculation model, provisions and credit loss fluctuations, see Note 3.

## Note 11 Tax

Recognised in income statement	2021	2020
Current tax expense	100.5	48.3
Adjustment of taxes attributable to previous years	-	-
<b>Total tax expense recognised</b>	<b>100.5</b>	<b>48.3</b>

Reconciliation of effective tax	2021	2020
Profit before tax	476.1	228.0
Tax according to prevailing tax rate	20.6%	98.1
Non-deductible expenses/Non-taxable revenue	0.5%	2.4
Tax attributable to previous years	0.0%	-
<b>Recognised effective tax</b>	<b>21.1%</b>	<b>100.5</b>
	<b>21.2%</b>	<b>48.3</b>
Tax items entered directly against equity	2021	2020
Current tax on Group contributions paid	100.5	48.3
<b>Total sum entered directly against equity</b>	<b>100.5</b>	<b>48.3</b>

## Note 12 Proposed distribution of earnings

	2021
<i>The Board of Directors proposes that:</i>	
Profit for the year	375.6
Profit or loss brought forward	229.5
<b>Total</b>	<b>605.1</b>
<i>Be appropriated as follows:</i>	
To be carried forward	605.1

For more information, see page 36.

## Note 13 Sovereign bonds eligible as collateral

	2021				2020			
	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	29,072.1	1,652.0	30,724.1	30,724.0	25,198.4	2,836.8	28,035.2	28,036.4
- Foreign governments	-	-	-	-	-	-	-	-
<b>Total</b>	<b>29,072.1</b>	<b>1,652.0</b>	<b>30,724.1</b>	<b>30,724.0</b>	<b>25,198.4</b>	<b>2,836.8</b>	<b>28,035.2</b>	<b>28,036.4</b>
Positive difference of book values exceeding nominal values			2.1				6.0	
Negative difference of book values falling below nominal values			0.0				-0.6	
<b>Total</b>			<b>2.1</b>				<b>5.4</b>	

## Note 14 Lending

	2021				2020			
	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	161,346.7	51,098.5	212,445.2	212,531.6	155,571.9	49,169.4	204,741.2	205,327.2
- housing companies with municipal guarantees	121,586.0	35,926.6	157,512.6	157,421.7	115,177.3	38,232.3	153,409.7	153,689.1
- other companies with municipal guarantees	68,816.3	21,876.2	90,692.4	90,509.4	64,990.5	22,647.4	87,637.9	87,700.8
<b>Total</b>	<b>351,749.0</b>	<b>108,901.3</b>	<b>460,650.3</b>	<b>460,462.7</b>	<b>335,739.7</b>	<b>110,049.0</b>	<b>445,788.8</b>	<b>446,717.1</b>

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

## Note 15 Bonds and other interest-bearing securities

	2021				2020			
	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 Swedish issuers	3,005.00	1,241.8	4,246.8	4,246.8	3,013.7	1,215.4	4,229.1	4,224.4
- other foreign issuers	3,532.0	7,751.0	11,283.0	11,286.0	5,023.1	4,570.7	9,593.8	9,591.9
<b>Total</b>	<b>6,537.0</b>	<b>8,992.8</b>	<b>15,529.8</b>	<b>15,532.8</b>	<b>8,036.8</b>	<b>5,786.1</b>	<b>13,822.9</b>	<b>13,816.3</b>
Positive difference of book values exceeding nominal values			99.7				185.1	
Negative difference of book values falling below nominal values			-11.7				0.0	
<b>Total</b>			<b>88.0</b>				<b>185.1</b>	

## Note 16 Shares and participations in subsidiaries

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

	2021	2020
Number of shares: 1,000	42.0	42.0
<b>Total</b>	<b>42.0</b>	<b>42.0</b>

As per 31 December 2021, Kommuninvest Fastighets AB had a balance sheet total of SEK 45.9 (46.2) million, equity of SEK 42.0 (42.0) million and generated a loss of SEK 0.0 (0.3) million.

## Note 17 Derivatives and hedge accounting

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 hedges 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 in 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.

### Hedge accounting and uncertainty resulting from the reference interest rate reform

The reform regarding new reference interest rates will have an immaterial effect on Kommuninvest's earnings and position because Kommuninvest has very few hedges linked to uncertainty in foreign IBOR.

Kommuninvest has three hedging relationships linked to LIBOR 3m that extend beyond the end of 2021 and have a nominal amount of SEK 2 billion. These mature in 2022 and Kommuninvest no longer enters into any new such hedging relationships.

Kommuninvest includes hedge accounting linked to Stibor 3m, for which the nominal amount totals slightly less than SEK 588.7 billion. Today, it has yet to be established how Stibor will be affected by the reference rate reform. The new reference rate SWESTR will apply in parallel with Stibor.

## FINANCIAL STATEMENTS

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	2021	2020	2021	2020	2021	2020
	<1 year	1–5 years	>5 years							
<i>Derivatives in hedging relationship</i>										
Derivatives in hedging of interest rate risk	69,230.3	358,878.9	64,792.6	492,901.8	448,843.2	243.6	566.7	-228.5	-454.5	-1,606.8
Derivatives in hedging of interest rate risk, portfolio	-	28,275.0	2,660.0	30,935.0	16,255.0	0.0	0.0	0.0	0.0	416.0
Derivatives in hedging of interest rate and currency risk	1,581.5	-	-	1,581.5	2,357.8	-	169.4	-46.2	-59.1	-60.2
<b>Total</b>	<b>70,811.8</b>	<b>387,153.9</b>	<b>67,452.6</b>	<b>525,418.3</b>	<b>467,456.0</b>	<b>243.6</b>	<b>736.1</b>	<b>-274.7</b>	<b>-513.6</b>	<b>-1,251.0</b>
Average interest rate	0.13%	0.10%	0.27%							
<i>Derivatives not used for hedging</i>										
Interest rate-related	98,638.4	118,703.7	1,432.5	218,774.6	239,009.5	0.3	0.1	-74.8	-194.5	
Currency-related	94,318.5	69,533.6	272.1	164,124.2	201,799.8	5,485.3	1,342.1	-3,136.5	-18,020.6	
Other	20.6	5,146.2	-	5,166.8	6,779.1	0.1	351.0	-365.3	-249.0	
<b>Total</b>	<b>192,977.5</b>	<b>193,383.5</b>	<b>1,704.6</b>	<b>388,065.6</b>	<b>447,588.4</b>	<b>5,485.7</b>	<b>1,693.2</b>	<b>-3,576.6</b>	<b>-18,464.1</b>	
<b>Total</b>	<b>263,789.3</b>	<b>580,537.4</b>	<b>69,157.2</b>	<b>913,483.9</b>	<b>915,044.4</b>	<b>5,729.3</b>	<b>2,429.3</b>	<b>-3,851.3</b>	<b>-18,977.7</b>	
Hedged items	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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Lending in an interest rate risk hedge	155,092.0	145,286.9	-560.3	1,895.5					-2,455.8	1,026.0
Investment in an interest rate risk hedge	5,899.5	7,389.9	0.3	8.8					-8.5	8.8
Funding in an interest rate risk hedge					331,190.9	299,897.0	-1,701.6	2,397.7	4,099.3	-1,740.4
Funding in an interest rate and currency risk hedge					1,535.9	2,468.0	33.4	92.8	59.4	60.6
Hedged item, portfolio	30,935.0	16,255.0	-381.8	33.9					-415.7	34.6
<b>Total</b>	<b>191,926.5</b>	<b>168,931.8</b>	<b>-941.8</b>	<b>1,938.2</b>	<b>332,726.8</b>	<b>302,365.0</b>	<b>-1,668.2</b>	<b>2,490.5</b>	<b>1,278.7</b>	<b>-610.4</b>
<b>Total hedging inefficiency</b>			<b>2021</b>		<b>2020</b>					
<i>Interest rate risk hedging</i>										
Derivatives			-1,606.8		702.5					
Funding			4,099.3		-1,740.4					
Lending			-2,455.8		1,026.0					
Investment			-8.5		8.8					
Portfolio			0.3		-0.2					
<b>Total</b>			<b>28.5</b>		<b>-3.3</b>					
<i>Interest rate and currency risk hedging</i>										
Derivatives			-60.2		-52.7					
Funding			59.4		60.6					
<b>Total</b>			<b>-0.8</b>		<b>7.9</b>					

All inefficiency is recognised in net result of financial transactions.

## Note 18 Intangible assets

	2021	2020
<i>Acquisition value</i>		
Acquisition value brought forward	52.1	44.1
Investments for the year	0.4	10.3
Disposals and scrappings	-16.1	-2.3
<b>Acquisition value carried forward</b>	<b>36.4</b>	<b>52.1</b>
<i>Depreciation</i>		
Opening balance, depreciation	-21.4	-22.7
Depreciation for the year	-6.4	-0.7
Disposals and scrappings	16.1	2.0
<b>Depreciation carried forward</b>	<b>-11.7</b>	<b>-21.4</b>
<b>Planned residual value at the end of the accounting period</b>	<b>24.7</b>	<b>30.7</b>

Kommuninvest's intangible assets consist of business systems developed in-house. The item Disposals and scrappings pertains to the scrapping of a license.

## Note 19 Tangible assets

	2021	2020
<i>Acquisition value</i>		
Acquisition value brought forward	26.1	24.1
Investments for the year	1.7	2.0
<b>Acquisition value carried forward</b>	<b>27.8</b>	<b>26.1</b>
<i>Depreciation</i>		
Opening balance, depreciation	-19.3	-17.0
Depreciation for the year	-2.5	-2.3
<b>Depreciation carried forward</b>	<b>-21.8</b>	<b>-19.3</b>
<b>Planned residual value at the end of the accounting period</b>	<b>6.0</b>	<b>6.8</b>

Tangible assets mainly comprise IT equipment and office equipment.

## Note 20 Other assets

	2021	2020
Receivables from subsidiaries	2.1	1.9
Marginal collateral pledged	2,414.4	16,460.3
Other assets	11.5	12.3
<b>Total</b>	<b>2,428.0</b>	<b>16,474.5</b>

Receivables from subsidiaries refer to Group contributions.

Since 2016, Kommuninvest pledges collateral for derivatives cleared by a central clearing counterparty, which are need per counterparty and currency in the balance sheet, see further under Note 26. Since 2017, Kommuninvest also pledges cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies. Accordingly, these are entered in full in the balance sheet.

## Note 21 Other liabilities

	2021	2020
Liabilities to parent society	488.0	276.9
Marginal collateral received	3,503.3	94.3
Other liabilities	13.7	11.1
<b>Total</b>	<b>4,005.0</b>	<b>382.3</b>

Liabilities to the Kommuninvest Cooperative Society refers to Group contributions. Since 2016, Kommuninvest receives collateral for derivatives cleared by a central clearing counterparties, which are netted per counterparty and currency in the balance sheet, see further under Note 26. Since 2017, Kommuninvest also receives cash collateral for derivatives not cleared by central clearing counterparties and for which no right of netting applies. Accordingly, these are entered in full in the balance sheet.

## Note 22 Provisions

	2021	2020
Provisions for off-balance sheet commitments	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

This item includes provisions for expected credit losses on off-balance sheet commitments. For more information on off-balance sheet items, see Note 23.

## Note 23 Pledged assets, contingent liabilities and commitments

	2021	2020
<i>In the form of assets pledged for own provisions and liabilities</i>		
Deposited at the Riksbank		
- government bonds	-	334.6
- state-related securities	8,521.8	8,220.6
Assets pledged for derivative contracts		
- cash collateral according to collateral agreements for derivative contracts	1,601.7	16,296.9
- securities according to collateral agreements for derivative contracts	1,650.0	2,507.5
<b>Assets pledged, total</b>	<b>11,773.5</b>	<b>27,359.6</b>
<i>Contingent liabilities</i>		
	None	None
<b>Committed undisbursed loans</b>	<b>278.7</b>	<b>1,859.1</b>
<b>Committed loans</b>	<b>239.1</b>	<b>355.3</b>

The recognised value of liabilities and provisions involving pledges amounted to SEK 0.0 (2.0) million. To qualify for participation in RIX, the Riksbank's system for the transfer of account funds, Kommuninvest is required to deposit securities with the Riksbank. This is also a condition for short-term liquidity management via RIX.

## Note 24 Related party relationships

In 2021, Kommuninvest had a related party relationship to the Kommuninvest Cooperative Society (Parent Society), and Kommuninvest Fastighets AB (subsidiary).

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 Cooperative Society	2021	396	14	-	152	488,005
Kommuninvest Cooperative Society	2020	1,515	-	-	269	276,890
Kommuninvest Fastighets AB	2021	341	4,442	-	2,100	-
Kommuninvest Fastighets AB	2020	609	4,390	-	2,202	-

The related party relationship with Kommuninvest Fastighets AB refers to transactions involving Kommuninvest's premises, which are owned by Kommuninvest Fastighets AB, as well as to Group contributions. Liabilities to the Kommuninvest Cooperative Society refers to Group contributions.

## Note 25 Financial assets and liabilities

### Financial instruments broken down by valuation category

2021	Amortised cost	Fair value through the income statement			Recognised value	Fair value
		Held for trade	Compulsory Fair value option	Derivatives used for hedge accounting		
<b>Financial assets</b>						
Cash and balances with central banks	7,672.5	-	-	-	-	7,672.5
Sovereign bonds eligible as collateral	29,072.1	-	-	1,652.0	-	30,724.1
Lending to credit institutions	1,334.7	-	-	-	-	1,334.7
Lending	351,749.0	-	-	108,901.3	-	460,650.3
Change in value of interest-hedged items in portfolio hedging	-	-	-	-	-	-
Bonds and other interest-bearing securities	6,537.0	-	-	8,992.8	-	15,529.8
Derivatives	-	-	5,485.7	-	243.6	5,729.3
Other financial assets	2,417.7	-	-	-	-	2,417.7
<b>Total</b>	<b>398,783.0</b>	-	<b>5,485.7</b>	<b>119,546.1</b>	<b>243.6</b>	<b>524,058.4</b>
<b>Financial liabilities</b>						
Liabilities to credit institutions <sup>1</sup>	277.7	-	-	-	-	277.7
Securities issued <sup>1</sup>	349,319.4	-	-	156,760.7	-	506,080.1
Derivatives	-	3,576.7	-	-	274.7	3,851.4
Change in value of interest-hedged items in portfolio hedging	381.8	-	-	-	-	381.8
Other financial liabilities	4,002.4	-	-	-	-	4,002.4
<b>Total</b>	<b>353,981.3</b>	<b>3,576.7</b>	-	<b>156,760.7</b>	<b>274.7</b>	<b>514,593.4</b>
1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 509,910.9 (496,443.1) million.						

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 509,910.9 (496,443.1) million.

Note 25, continued

#### Financial instruments broken down by valuation category

2020	Amortised cost	Fair value through the income statement			Recognised value	Fair value
		Held for trade	Compulsory	Fair value option		
<b>Financial assets</b>						
Cash and balances with central banks	18,931.2	-	-	-	-	18,931.2
Sovereign bonds eligible as collateral	25,198.4	-	-	2,836.8	-	28,035.2
Lending to credit institutions	1,669.6	-	-	-	-	1,669.6
Lending	335,739.7	-	-	110,049.0	-	445,788.7
Change in value of interest-hedged items in portfolio hedging	33.9	-	-	-	-	33.9
Bonds and other interest-bearing securities	8,036.8	-	-	5,786.1	-	13,822.9
Derivatives	-	-	1,693.2	-	736.2	2,429.4
Other financial assets	16,464.2	-	-	-	-	16,464.2
<b>Total</b>	<b>406,073.8</b>	-	<b>1,693.2</b>	<b>118,671.9</b>	<b>736.2</b>	<b>527,175.1</b>
						<b>528,098.2</b>
<b>Financial liabilities</b>						
Liabilities to credit institutions <sup>1</sup>	379.7	-	-	567.3	-	947.0
Securities issued <sup>1</sup>	349,899.6	-	-	148,406.3	-	498,305.9
Derivatives	-	18,464.0	-	-	513.6	18,977.6
Change in value of interest-hedged items in portfolio hedging	-	-	-	-	-	-
Other financial liabilities	379.6	-	-	-	-	379.6
<b>Total</b>	<b>350,658.9</b>	<b>18,464.0</b>		<b>148,973.6</b>	<b>513.6</b>	<b>518,610.1</b>
						<b>520,124.4</b>

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 509,910.9 (496,443.1) million.

#### 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 and liquidity reserve, including 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. 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.

**Note 25, continued****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 195 (191) 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 224 (224) 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 +/- 29 (+/- 33) million. A displacement of the valuation curve upwards or downwards by 10 basis points for the financial instruments valued according to level 3 would mean a change in income of SEK +/- 17 (+/- 18) million.

All of the above changes refer to 31 December 2021 (comparative figures refer to 31 December 2020) and exclude tax effects. Impact on equity relates to the tax effect. All market value effects are unrealised, and as Kommuninvest intends to hold its assets and liabilities to maturity, this means that these values will not normally be realised. Exceptions are repurchases of funding or lending instruments, which always take place on the investors' or customers' initiative respectively, leading to market values being realised.

**Uncertainty in measurement due to unobservable input data**

Input data that cannot be observed in the market consist of correlations between market data and volatilities in maturities longer than those for which observable market data are available. Instruments affected by unobservable input data consist of issued structured securities with options for premature redemption and the derivatives that hedge these at the transaction level. The recipient leg of such a derivative always consists of the warrants in the issued security and the payment leg of the interbank interest rate +/- a fixed margin.

The effect on net profit of these contracts is realised when Kommuninvest's funding margins for this type of funding change. The scope of the change depends on the expected 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 duration to 1.5 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 to 3.4 years. This would have an effect on net profit in the interval SEK +0.4 million – SEK -2.6 million.

**Change in value due to expected credit risk**

With the joint and several guarantee for Kommuninvest's funding provided by the members of the Kommuninvest Cooperative Society, Kommuninvest's own credit risk is considered to be negligible.

Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of funding 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.

*Note 25, continued***Changed valuation models**

The valuation models are unchanged since the beginning of the preceding year. No changes in valuation models have been triggered by the crisis associated with the corona virus.

For previous changes, see Note 25 in Kommuninvest's 2020 Annual Report.

**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**

2021	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	0.0	1,652.0	0.0	1,652.0
Lending	0.0	108,901.3	0.0	108,901.3
Bonds and other interest-bearing securities	5,941.8	3,051.1	0.0	8,992.9
Derivatives	0.0	5,638.2	91.1	5,729.3
<b>Total</b>	<b>5,941.8</b>	<b>119,242.6</b>	<b>91.1</b>	<b>125,275.5</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	0.0	0.0	0.0	0.0
Securities issued	112,586.9	39,024.2	5,149.7	156,760.8
Derivatives	0.0	3,284.2	567.2	3,851.4
<b>Total</b>	<b>112,586.9</b>	<b>42,308.4</b>	<b>5,716.9</b>	<b>160,612.2</b>
2020	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	-	2,836.8	-	2,836.8
Lending	-	110,049.0	-	110,049.0
Bonds and other interest-bearing securities	2,632.3	3,153.7	-	5,786.0
Derivatives	-	1,944.3	485.0	2,429.3
<b>Total</b>	<b>2,632.3</b>	<b>117,983.8</b>	<b>485.0</b>	<b>121,101.1</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	567.3	-	567.3
Securities issued	122,672.4	18,069.4	7,664.5	148,406.3
Derivatives	-	18,587.7	389.9	18,977.6
<b>Total</b>	<b>122,672.4</b>	<b>37,224.4</b>	<b>8,054.4</b>	<b>167,951.2</b>

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

	Recognised value 31 Dec 2021	Recognised value 31 Dec 2020
<b>Assets</b>		
To level 1 from level 2	-	-
To level 2 from level 1	-	585.2
<b>Liabilities</b>		
To level 1 from level 2	-	-
To level 2 from level 1	31,929.0	8,284.9

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. The indicators show the number of observations and their standard deviation for bond prices and a specific number of executable quotes. The transfer to level 2 from level 1 during

the period of SEK 31,929.0 million is due to the above indicators for the relevant instruments no longer indicating an active market in accordance with level 1, and the valuation is instead performed in accordance with level 2. The transfers are considered to have taken place on 31 December 2021 and 31 December 2020 for the preceding period.

## FINANCIAL STATEMENTS

Note 25, continued

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

2021	Level 1	Level 2	Level 3	Total fair value	Recognised value
<b>Financial assets</b>					
Cash and balances with central banks	-	7,672.5	-	7,672.5	7,672.5
State bonds eligible as collateral	-	29,072.1	-	29,072.1	29,072.1
Lending to credit institutions	-	1,334.7	-	1,334.7	1,334.7
Lending	-	351,561.5	-	351,561.5	351,749.0
Change in value of interest-hedged items in portfolio hedging	-	-	-	-	-
Bonds and other interest-bearing securities	691.0	5,849.0	-	6,540.0	6,537.0
Other assets	-	2,417.7	-	2,417.7	2,417.7
<b>Total</b>	<b>691.0</b>	<b>397,907.5</b>	-	<b>398,598.5</b>	<b>398,783.0</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	277.6	-	277.6	277.7
Securities issued	-	351,080.2	-	351,080.2	349,319.4
Change in value of interest-hedged items in portfolio hedging	-	381.8	-	381.8	381.8
Other liabilities	-	4,002.4	-	4,002.4	4,002.4
<b>Total</b>	-	<b>355,742.0</b>	-	<b>355,742.0</b>	<b>353,981.3</b>
2020	Level 1	Level 2	Level 3	Total fair value	Recognised value
<b>Financial assets</b>					
Cash and balances with central banks	-	18,931.2	-	18,931.2	18,931.2
Sovereign bonds eligible as collateral	-	25,199.7	-	25,199.7	25,198.4
Lending to credit institutions	-	1,669.6	-	1,669.6	1,669.6
Lending	-	336,668.0	-	336,668.0	335,739.7
Change in value of interest-hedged items in portfolio hedging	-	33.9	-	33.9	33.9
Bonds and other interest-bearing securities	3,673.0	4,357.3	-	8,030.3	8,036.8
Other assets	-	16,464.2	-	16,464.2	16,464.2
<b>Total</b>	<b>3,673.0</b>	<b>403,323.9</b>	-	<b>406,996.9</b>	<b>406,073.8</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	379.7	-	379.7	379.9
Securities issued	-	351,413.9	-	351,413.9	349,899.6
Other liabilities	-	379.6	-	379.6	379.6
<b>Total</b>	-	<b>352,173.2</b>	-	<b>352,173.2</b>	<b>350,659.1</b>

### 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 period.

	Derivative assets	Derivative liabilities	Securities issued	Total
<b>Opening balance, 1 Jan 2021</b>	<b>485.1</b>	<b>-389.9</b>	<b>-7,664.4</b>	<b>-7,569.2</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-393.9	-177.3	569.0	-2.2
Borrowing raised/Securities issued			-4,993.4	-4,993.4
Maturing during the year			6,939.3	6,939.3
<b>Closing balance, 31 Dec 2021</b>	<b>91.2</b>	<b>-567.2</b>	<b>-5,149.5</b>	<b>-5,625.5</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2021	7.6	-213.1	202.1	-3.4
<b>Opening balance, 1 Jan 2020</b>	<b>184.8</b>	<b>-489.0</b>	<b>-6,731.5</b>	<b>-7,035.7</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	300.3	99.1	-386.4	13.0
Borrowing raised/Securities issued			6,173.7	6,173.7
Maturing during the year			-6,720.2	-6,720.2
<b>Closing balance, 31 Dec 2020</b>	<b>485.1</b>	<b>-389.9</b>	<b>-7,664.4</b>	<b>-7,569.2</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 December 2020	135.9	-166.9	31.9	0.9

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 26 Information on financial assets and liabilities subject to netting

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

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

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

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

2021	Financial assets and liabilities, in the balance sheet <sup>1</sup>	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	Net amount
<b>Assets</b>							
Derivatives	10,251.1	-4,521.8	<b>5,729.3</b>	-2,104.0	-400.8	-3,077.2	<b>147.3</b>
Repos	-	-	-	-	-	-	-
<b>Liabilities</b>							
Derivatives	-6,929.0	3,077.6	<b>-3,851.4</b>	2,104.0	-	1,569.2	<b>-178.2</b>
Repos	-277.6	-	<b>-277.6</b>	-	277.6	-	<b>0.0</b>
<b>Total</b>	<b>3,044.5</b>	<b>-1,444.2</b>	<b>1,600.3</b>	<b>0.0</b>	<b>-123.2</b>	<b>-1,508.0</b>	<b>-30.9</b>

2020	Financial assets and liabilities, in the balance sheet <sup>1</sup>	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	Net amount
<b>Assets</b>							
Derivatives	10,000.3	-7,570.9	<b>2,429.4</b>	-1,134.8	-668.2	-77.2	<b>549.2</b>
Repos	379.7	-	<b>379.7</b>	-	-379.5	-	<b>0.2</b>
<b>Liabilities</b>							
Derivatives	-21,357.8	2,380.2	<b>-18,977.6</b>	1,134.8	2.0	16,292.8	<b>-1,548.0</b>
Repos	-379.7	-	<b>-379.7</b>	-	379.7	-	-
<b>Total</b>	<b>-11,357.5</b>	<b>-5,190.7</b>	<b>-16,548.2</b>	-	<b>-666.0</b>	<b>16,215.6</b>	<b>-998.6</b>

1) The amount offset for derivative liabilities includes cash collateral of SEK 1,444.2 (5,190.7) million.

## Note 27 Events after the balance sheet date

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

# Five-Year Summary

Key ratios 2017–2021, SEK, million	2021	2020	2019	2018	2017
<b>Equity</b>					
Core Tier I capital ratio (%)	397.1	302.5	126.8	188.4	212.4
Tier I capital ratio (%)	397.1	302.5	126.8	188.4	212.4
Total capital ratio (%)	397.1	302.5	126.8	188.4	212.4
Leverage ratio (%)	15.4	10.6	12.3	11.3	14.1
<b>Net profit</b>					
Operating income	425.9	462.2	573.4	612.4	697.8
Operating expenses, excluding the resolution fee/stability fee, as % of lending	0.051	0.051	0.054	0.057	0.065
Operating expenses, excluding the resolution fee/stability fee, as % of balance sheet total	0.045	0.043	0.047	0.049	0.057
Return on assets (%)	0.072	0.034	0.065	0.140	0.245
Cost/income ratio	0.376	0.342	0.295	0.304	0.304
<b>Other information</b>					
Number of employees at the end of the year	102	97	93	92	96
Income statement 1 January – 31 December, SEK, million	2021	2020	2019	2018	2017
Net interest income	680.8	711.3	827.5	885.5	881.3
Dividends received	2.1	1.9	2.4	2.1	1.8
Commission expenses	-11.4	-12.7	-11.3	-8.2	-7.3
Net result of financial transactions	47.6	-247.7	-201.5	161.4	512.0
Other operating income	10.2	11.6	9.3	7.8	5.3
<b>Total operating income</b>	<b>729.3</b>	<b>464.4</b>	<b>626.4</b>	<b>1,048.6</b>	<b>1,393.1</b>
<b>Total operating expenses</b>	<b>-259.5</b>	<b>-247.5</b>	<b>-246.9</b>	<b>-271.8</b>	<b>-269.3</b>
<b>Profit before credit losses</b>	<b>469.8</b>	<b>216.9</b>	<b>379.5</b>	<b>776.8</b>	<b>1,123.8</b>
Net credit losses	6.3	11.1	12.6	-24.3	-
Impairment of financial assets	-	-	-	-	-
<b>Operating profit</b>	<b>476.1</b>	<b>228.0</b>	<b>392.1</b>	<b>752.5</b>	<b>1,123.8</b>
Tax	-100.5	-48.3	-84.2	-166.4	-247.8
<b>Net profit</b>	<b>375.6</b>	<b>179.7</b>	<b>307.9</b>	<b>586.1</b>	<b>876.0</b>
Balance sheet summary as at 31 December, SEK million	2021	2020	2019	2018	2017
Cash and balances with central banks	7,672.5	18,931.2	811.1	-	-
Sovereign bonds eligible as collateral	30,724.1	28,035.2	17,686.3	39,230.3	24,635.8
Lending to credit institutions	1,334.7	1,669.6	21,917.2	1,843.4	649.7
Lending	460,650.3	445,788.8	408,218.1	355,710.0	310,147.3
Change in value of interest-hedged item in portfolio hedging	-	33.9	-	-	-
Bonds and other interest-bearing securities	15,529.8	13,822.9	7,722.6	7,457.8	12,500.0
Derivatives	5,729.3	2,429.4	11,967.0	11,333.2	8,044.6
Other assets	2,621.0	16,652.6	2,998.4	1,627.4	965.2
<b>Total assets</b>	<b>524,261.7</b>	<b>527,363.6</b>	<b>471,320.7</b>	<b>417,202.1</b>	<b>356,942.6</b>
Liabilities to credit institutions	277.7	947.0	4,027.7	584.0	1,318.4
Securities issued	506,080.1	498,305.9	446,763.0	396,796.9	337,755.8
Derivatives	3,851.4	18,977.6	3,484.5	5,959.6	7,793.9
Change in value of interest-hedged item in portfolio hedging	381.8	-	0.7	-	-
Other liabilities	4,048.4	428.9	9,442.8	6,258.2	2,463.7
Subordinated liabilities	-	-	-	-	-
<b>Total liabilities and provisions</b>	<b>514,639.4</b>	<b>518,659.4</b>	<b>463,718.7</b>	<b>409,598.7</b>	<b>349,331.8</b>
Equity	9,622.3	8,704.2	7,602.0	7,603.4	7,610.8
<b>Total liabilities, provisions and equity</b>	<b>524,261.7</b>	<b>527,363.6</b>	<b>471,320.7</b>	<b>417,202.1</b>	<b>356,942.6</b>

# Alternative performance measurements

In this Annual Report, Kommuninvest i Sverige AB has chosen to present a number of alternative performance measurements that are not defined or specified in the applicable rules on financial reporting.

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

Alternative performance measurements	Definition	Reconciliation	2021	2020
Operating income	Operating profit reduced with the result of unrealised changes market value that are included in the income statement item Net result from financial transactions and net credit losses. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.	Operating profit Result of unrealised changes in market value Net credit losses <b>Operating income</b>	476.1 43.9 6.3 <b>425.9</b>	228.0 -245.3 11.1 <b>462.2</b>
Leverage ratio including lending to members and their companies	Kommuninvest's Tier I capital divided by the total exposure amount excluding exposures in the form of Kommuninvest's lending to members and their companies. The key ratio is relevant in showing that Kommuninvest meets, by a good margin, the Swedish Financial Supervisory Authority's (Finansinspektionen) leverage ratio requirement and Pillar II guidance, which for the Group is set at 1 percent.	Total exposure according to current regulations Exposure in the form of lending to members and their companies <b>Total exposure including lending to members and their companies</b>	61,212.2 460,909.2 <b>522,121.4</b>	69,598.3 446,929.9 <b>516,528.2</b>
Operating expenses, excluding the resolution fee/stability fee, as % of lending	Operating expenses over the financial year, excluding the resolution fee/stability 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/stability fee.	Tier I capital, calculated applying transitional rules <b>Leverage ratio excluding lending to members and their companies</b>	9,399.2 <b>1.80%</b>	7,376.6 <b>1.43%</b>
Operating expenses, excluding the resolution fee/stability fee, as % of total assets	Total operating expenses over the financial year, excluding the resolution fee/stability fee in relation to total assets on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to total assets, adjusted for the resolution fee/stability fee.	General administration expenses Depreciation Other operating expenses Total operating expenses Resolution fee/stability fee <b>Total operating expenses excluding resolution fee/stability fee</b> <b>Lending as per the closing date</b>	-247.8 -8.9 -2.8 -259.5 -23.0 <b>-236.5</b>	-240.2 -3.4 -3.9 -247.5 -20.9 <b>-226.6</b> <b>460,650.3</b> <b>445,788.8</b>
Return on assets (%)	Net profit in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.	Operating expenses, excluding the resolution fee/stability fee, as % of lending General administration expenses Depreciation Other operating expenses Total operating expenses Resolution fee/stability fee <b>Total operating expenses excluding resolution fee/stability fee</b> <b>Total assets as per the closing date</b>	<b>0.051</b> -247.8 -8.9 -2.8 -259.5 -23.0 <b>-236.5</b>	<b>0.051</b> -240.2 -3.4 -3.9 -247.5 -20.9 <b>-226.6</b> <b>524,261.7</b> <b>527,363.6</b>
Cost/income ratio	Total operating expenses in relation to net interest income and other operating income. An established key ratio in the banking sector for assessing the relationship between operating expenses and income.	Operating expenses, excluding the resolution fee/stability fee, as % of balance sheet total Net profit Total assets <b>Return on assets (%)</b> <b>Total operating expenses</b> Net interest income Other operating income <b>Total net interest income and other operating income</b> <b>Cost/income ratio</b>	<b>0.045</b> 375.6 524,261.7 <b>0.072</b> <b>-259.5</b> 680.8 10.2 <b>691.0</b> <b>0.376</b>	<b>0.043</b> 179.7 527,363.6 <b>0.034</b> <b>-247.5</b> 711.3 11.6 <b>722.9</b> <b>0.342</b>

# Signatures

We hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the Annual Report gives a true and fair view of the development of the Company's operations, financial position and net profit and describes the material risks and uncertainties facing the Company.

Stockholm, 15 February 2022

Ellen Bramness Arvidsson  
*Chairman*

Lars Heikensten  
*Board Member*

Catrina Ingelstam  
*Board Member*

Mats Filipsson  
*Board Member*

Erik Langby  
*Board Member*

Kristina Sundin Jonsson  
*Board Member*

Anette Henriksson  
*Board Member*

Mattias Bokenblom  
*Employee representative*

Kristin Ekblad  
*Employee representative*

Tomas Werngren  
*President and CEO*

Our Audit Report was submitted on

KPMG

Anders Tagde  
*Authorised Public Accountant*

# Audit Report

To the Annual General Meeting of Kommuninvest i Sverige AB (publ), corporate identity number 556281-4409

## Report on the annual accounts

### Opinions

We have audited the annual accounts of Kommuninvest i Sverige AB (publ) for 2021. The annual accounts of the Company are included on pages 27–98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of Kommuninvest i Sverige AB (publ) as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. A corporate governance statement has been prepared. The Board of Directors' Report and the corporate governance statement are consistent with the other parts of the annual accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

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

Our opinions in this report on the annual accounts are compatible with the contents of the supplementary report submitted to the Board in accordance with the audit regulation (537/2014) Article 11.

### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Kommuninvest i Sverige AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and belief, no prohibited services as referred to in the audit regulation (537/2014) Article 5.1 have been provided to the audited company or, if applicable, its Parent Society or its controlled companies within the EU.

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

### Key audit matters

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

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

*See accounting principles for financial instruments in Note 2 and Note 25 in the annual accounts for detailed disclosures and a description of the matter.*

#### Description of key audit matter

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

The Company has financial assets of SEK 119,243 million classified as level 2, financial assets of SEK 91 million classified as level 3, financial liabilities of SEK 42,308 million classified as level 2 and financial liabilities of SEK 5,717 million classified as level 3. In total, these assets and liabilities represent 23 percent of the Company's total assets and 9 percent of total liabilities.

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

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

#### Response in the audit

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

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

We have engaged our internal valuations specialists to assist us in performing our audit procedures in challenging the methodology and assumptions used in the valuation models.

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

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

**Applying hedge accounting**

*See accounting principles in Note 2 and Notes 6, 17 and 25 in the annual account for detailed disclosures and a description of the matter.*

**Description of key audit matter**

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

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

**Response in the audit**

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

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

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

**Other Information than the annual accounts**

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

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

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

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

**Responsibilities of the Board of Directors and the President and CEO**

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

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

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assur-

ance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate threats or countermeasures that have been implemented.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

#### **Report on other legal and regulatory requirements**

##### *Auditor's review of administration and proposed disposal of the Company's profit or loss*

###### *Opinions*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President and CEO of Kommuninvest i Sverige AB (publ) for the year 2021 and the proposed appropriations of the Company's profit or loss.

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

###### *Basis for Opinions*

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

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

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

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's type of operations, size and risks place on the size of the Company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. This includes among other things continuous assessment of the Company's financial situation and ensuring that the Company's organisation is designed so that the accounting, management of assets and the Company's financial affairs otherwise

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

#### **Auditor's responsibility**

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional 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 Company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As the basis for our opinion on the Board of Directors' proposal regarding the appropriation of the Company's profit or loss, we have considered whether or not the proposal is consistent with the Swedish Companies Act.

#### **Auditor's review of the ESEF report**

###### *Opinions*

In addition to our audit of the annual and consolidated accounts, we have also conducted a review to ascertain whether the Board of Directors and the President and CEO have prepared the annual and consolidated accounts in a format facilitating uniform electronic reporting (the ESEF report) in accordance with Chapter 16, Section 4 a of the Securities Market Act (2007:528) for Kommuninvest i Sverige AB (publ) for the year 2021. Our review and our opinion pertain to the statutory requirement alone.

In our opinion, the ESEF report #Uqdue7up2xtmfok= has been prepared in a format that essentially enables uniform electronic reporting.

### *Basis for opinions*

We performed our review in accordance with FAR's recommendation RevR 18 Auditor's review of the ESEF report. Our responsibilities in accordance with this recommendation are further described in the Auditor's Responsibilities section. We are independent of Kommuninvest i Sverige AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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

The Board of Directors and the President and CEO are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16, Section 4 a of the Securities Market Act (2007:528), and for such internal control being in place as the Board of Directors and the President and CEO deem necessary for preparing the ESEF report without material misstatement, whether these are due to fraud or error.

### *Auditor's responsibility*

Our objective task is to express an opinion, with a reasonable degree of certainty, as to whether the ESEF report has, in all material respects, been prepared in a format that meets the requirements in Chapter 16, Section 4 a of the Securities Market Act (2007:528), on the basis of our review.

RevR 18 requires that we plan and implement our review procedures to achieve a reasonable degree of assurance that the ESEF report has been prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but is not a guarantee that a review conducted in accordance with RevR 18 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 the ESEF report.

The auditing firm applies ISQC 1 Quality control for audit firms that perform audits and reviews of financial reports, as well as other certification assignments and related services and thus applies a comprehensive quality control system including

documented guidelines and procedures regarding compliance with professional ethical requirements, standards for professional practice and applicable requirements in laws and other statutes.

This review includes obtaining, through various measures, evidence that the ESEF report has been prepared in a format facilitating uniform electronic reporting of the annual and consolidated accounts. We choose which measures to perform by, among other things, assessing the risks of material misstatement in the reporting, whether due to fraud or error. In this risk assessment, we take into account the parts of the internal control that are relevant to how the Board of Directors and the President and CEO produce the underlying data for the purpose of designing audit measures that are appropriate in the circumstances, but not for the purpose of making a statement regarding the effectiveness of the internal control. The review also includes an assessment of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the President and CEO.

The review measures mainly encompass a technical validation of the ESEF report, that is, whether the file containing the ESEF report complies with the technical specifications set out in Commission Delegated Regulation (EU) 2019/815 (the ESEF Regulation) and whether a reconciliation of the ESEF report agrees with the audited annual and consolidated accounts.

KPMG AB, P.O. Box 382, SE-101 27 Stockholm, was appointed auditor for Kommuninvest i Sverige AB (publ) at the Annual General Meeting on 16 April 2020. KPMG AB or auditors working for KPMG AB have been the Company's auditor since 2016.

Stockholm,

KPMG AB

Anders Tagde  
Authorised Public Accountant



On the Kommuninvest website, [www.kommuninvest.se/en](http://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.

