

KOMMUNINVEST I SVERIGE AB

Year-end report 2021

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KOMMUNINVEST

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.

<p>280 + 14</p> <p>Kommuninvest is owned by 280 municipalities and 14 regions.</p>	 <p>Green Loans</p> <p>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.</p>	<p>Our vision</p> <p>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.</p>
<p>Organisation with clear division of roles</p> <p>Kommuninvest comprises two parts. The Kommuninvest Cooperative Society (the Society) and the credit market company Kommuninvest i Sverige AB (the Company).</p> <p>Kommuninvest Cooperative Society Administrates membership and the joint and several guarantee.</p> <p>The Board of Directors consists of elected politicians from municipalities and regions.</p> <p>Kommuninvest i Sverige AB Conducts the financial operations, including funding, liquidity management and lending.</p> <p>The Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development.</p>	  <p>Kommuninvest has the highest possible credit rating, AAA/Aaa, and a stable outlook.</p>	<p>Basic concept</p> <p>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.</p>
		<p>Start 1986</p> <p>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.</p>
		<p>SEK 461 bn</p> <p>Lending to members amounted to SEK 461 billion at the end of 2021.</p>

Year-end report for Kommuninvest i Sverige AB (publ)

This is the year-end report for the credit market company Kommuninvest i Sverige AB (Kommuninvest).

Company registration number: 556281-4409

Registered office: Örebro

1 January – 31 December 2021

Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2020), unless otherwise stated. Comparative figures relating to the balance sheet and to risk and capital-related data refer to 31 December 2020 unless otherwise indicated.

Comment from the CEO

Steady and sustainable growth

The year 2021 was another defined by the pandemic. Despite the challenges, there was a tangible strength in the economy of the local government sector thanks to large central government allocations and the macroeconomic recovery.

Kommuninvest's lending continued to grow stably, but not at the same high rate as previously. The sector's financial strength, with increased liquidity, had a restraining effect on members' funding needs. The Riksbank's (Swedish central bank) purchases of local government bonds also played a 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.

We made significant progress in our sustainability work. Social Sustainability Loans were launched in March. This new loan product has been developed in close dialogue with a number of customers/members with specific interests in this area. Green financing continued to grow. In April, we received the Miljömålspriset 2021 environmental targets award for our – and thus the local government sector's – significant contribution in achieving the environmental objective of limited climate impact.

Over the year, we conducted extensive efforts with regard to the so-called risk tax. 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. At the same time, 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 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 Kommun-



Tomas Werngren, CEO

invest 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.

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 in 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. A smaller margin between funding and lending is intended to bring lower prices and less operating income.

Over the year, my co-workers have faced double challenges: the 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.

Tomas Werngren
President and CEO

Market and organisation

The corona pandemic

The 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 financial 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 municipal 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 lower 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 conditions 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 Miljömålpriset 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 and important contributions from individual members – 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 will be introduced as of 1 January 2022. Kommuninvest calculates on having to pay approximately SEK 257 million in risk tax for 2022. This is a heavy burden to manage. Since Kommuninvest is run on a non-profit basis, the cost for the tax will ultimately be borne the members. 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 for 2022 is stricter conditions within the framework of the cooperative society. Another component is 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 in the build-up 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.

Ownership situation

The Kommuninvest Cooperative Society (the Society) owns 100 percent of the shares in the credit market Company Kommuninvest i Sverige AB (Kommuninvest or the Company), in which all business activities within the Kommuninvest Group (the Group) are conducted.

As of 31 December 2021, the Society had 294 (292) members (partners), of which 280 (278) were municipalities and 14 (14) were regions. Consequently, 97 (96) percent of Sweden's municipalities and 67 (67) percent of Sweden's regions were members (partners) in the Society. During the year, 2 (2) new members joined: the Municipalities of Täby and Danderyd.

Local government debt

Through Kommuninvest and other capital market players, Sweden's municipalities and regions were able to efficiently meet their financing needs in 2021. Kommuninvest estimates that the sector's external loan debt rose by SEK 27 billion in 2021 to SEK 795 billion, and that 58 percent of the loan debt is financed via Kommuninvest.

In 2017 and 2018, self-financing of investments decreased, stabilising in 2019 and rising again in 2020 as a result of record-strong outcomes combined with declining investment volumes. Self-financing 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.

The local government sector's funding is characterised by short maturities and short-

term interest rates. Of total funding, 53 (51) percent was based on floating interest rates. Over the period 2017–2021, growth in the sector's funding averaged 7 percent. Over the same period, Kommuninvest's growth averaged 11 percent.

Kommuninvest's lending

As of 31 December 2021, Kommuninvest's lending amounted to SEK 460,691.3 (442,840.6) million in nominal terms, an increase of 4 (9) percent. The recognised value of the lending was SEK 460,650.3 (445,788.8) million.

Kommuninvest's competitiveness, expressed as the percentage of accepted bids, has remained strong. Based on nominal volumes, the bid acceptance rate amounted to 98 (98) percent for 2021.

Of the agreed lending for the year, that is, new loans and renegotiations of existing loans, 89 (89) percent were 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.

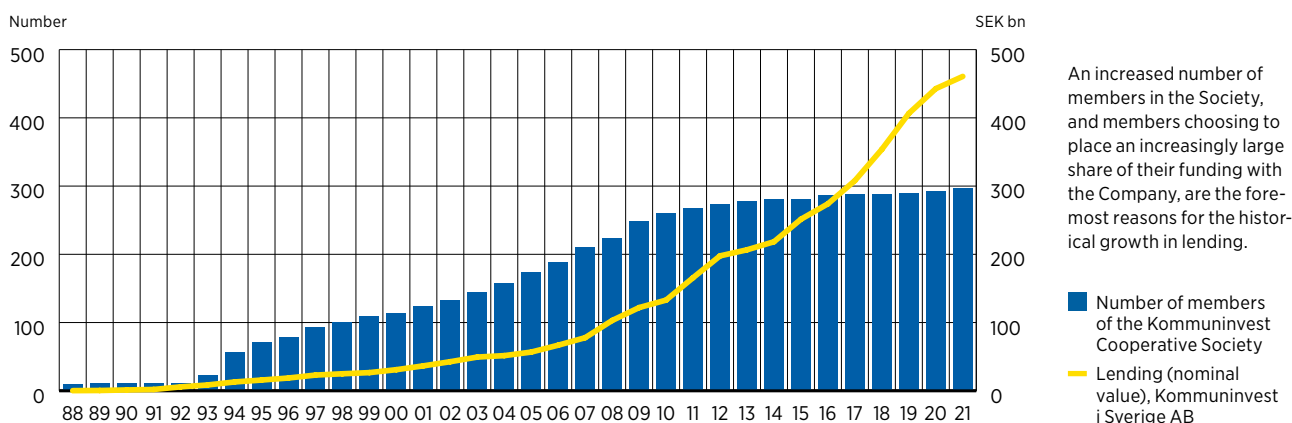
At the end of 2021, Kommuninvest's lending portfolio consisted of 47 (49) percent loans with fixed interest and 53 (51) percent loans with variable interest rates.

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 83,520.0 (74,677.3) million.

As of 30 March, the process of developing a loan product for social sustainability, initi-

Number of members and lending volume

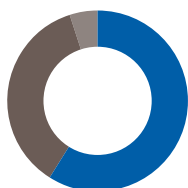
1988–2021



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.

New funding by currency*

2021 (2020)



- SEK 59 (57) %
- USD 36 (36) %
- JPY 5 (7) %
- AUD 0 (-) %

* excl. commercial paper funding

New funding by programme*

2021 (2020)



- Swedish Benchmark Programme 51 (49) %
- Benchmark funding, other currencies 29 (35) %
- Uridashi 5 (7) %
- Green Bonds 15 (8) %
- Private placement 0 (1) %

* excl. commercial paper funding

ated 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.

Kommuninvest’s funding

Kommuninvest’s lending is financed by means of short and long funding programmes on national and international capital markets.

Kommuninvest’s strategic funding markets are denominated in EUR, SEK and USD, both in terms of traditional funding and what is termed as sustainable funding, that is, green bonds.

The Company’s largest funding programme is its Swedish bond 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.

At the end of the period, total funding amounted to SEK 506,357.8 (499,252.9) million.

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 rating, with continued stable prospects. 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 place Kommuninvest among the group of financial institutions whose operations are considered least exposed to sustainability risks.

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
<i>of which, municipalities</i>	280	278	278	277	277
<i>of which, regions</i>	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

Financial position

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 expected credit losses of SEK 6.3 (11.1) million. Excluding 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 of Kommuninvest's 2021 Annual Report.

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

Net interest income

Net interest income amounted to SEK 680.8 (711.3) million and was thus about SEK 31 million lower than for the preceding year. Total earnings from lending amounted to SEK 684 million, which was SEK 79 million lower than for the preceding year. The main reason for the discrepancy is that lending that matures and is renegotiated results in sharply reduced interest income as historical lending has been agreed at 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 in the preceding year..

For further information regarding net interest income for the period, see Note 2.

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 details, see Note 4.

Operating expenses

Operating expenses amounted to 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, which 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 expenses increased by SEK 0.8 million.

The resolution fee is calculated as a risk-adjusted share of the balance sheet total less lending. The risk-adjusted percentage is determined by the Company's risk profile relative to other institutions required to pay the fee in accordance with the Commission's delegated regulation (EU) 2015/63. Kommuninvest's resolution fee for 2021 has been set by the Swedish National Debt Office at SEK 23.0 (20.9) million. The resolution fee accounted for 9 (8) percent of Kommuninvest's total expenses for 2021.

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 credit losses amounted to SEK 6.3 (11.1) million. In accordance with IFRS 9, Kommuninvest recognises expected credit losses. However, for the year at hand, these actually amounted to an expected credit gain, mainly due to changes in credit risk. Among other factors, the model for calculating expected credit losses takes forward-looking analyses of economic development into account. For more information on credit losses, see also Note 3 in Kommuninvest's 2021 Annual Report.

Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 524,261.7 (527,363.6) million, with lending to municipalities and regions accounting for most of the assets. Lending amounted to a recognised value of SEK 460,650.3 (445,788.8) million at the end of the year. 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 which 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 financing in USD then increase.

No right of netting applies for cash collateral pledged for derivatives not cleared by a central clearing and these are therefore recognised gross in the balance sheet, with separate asset and liability items. For further information, see Note 5. Derivative assets (derivatives with positive market value) increased to SEK 5,729.3 (2,429.4) million.

Liquidity management

The starting point for the Company's liquidity strategy is good matching of assets and liabilities. Most of the investments are in securities issued by sovereigns or central banks, multilateral development banks and credit institutions with high credit ratings.

The liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of 39 months at most.

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. The balance sheet item 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. 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.

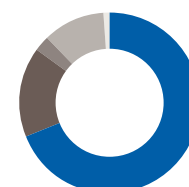
Equity

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.

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. The increase in share capital is attributable partly to the new share issue for SEK 1,100 million that was in progress at the end of the year, and partly to an issue of SEK 775 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 (-) million arose. Total share capital is attributable to the Society's members and no shares are available for trading. This fund of SEK 24.7 (30.4) million corresponds to capitalised development expenditure in-house adjusted by a proportional share of deprecia-

Liquidity reserve by country

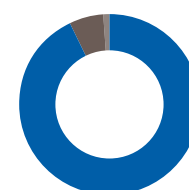
2021 (2020)



- Sweden 69 (75) %
- Supranationals 16 (12) %
- Finland 3 (2) %
- Germany 11 (9) %
- UK 1 (1) %
- Denmark 0 (0) %

Liquidity reserve distributed by rating category

2021 (2020)



- AAA 93 (95) %
- AA 6 (4) %
- A 1 (1) %

Liquidity reserve distributed by issuer category

2021 (2020)



- National governments or central banks 69 (75) %
- Credit institutions (subsidised lenders) 13 (11) %
- Credit institutions (bank balances) 2 (2) %
- Multilateral development banks 16 (12) %

tion transferred back from the fund to unrestricted equity.

Capital adequacy

The Company is well capitalised to withstand the operations' risks, with capital relationships 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 6.

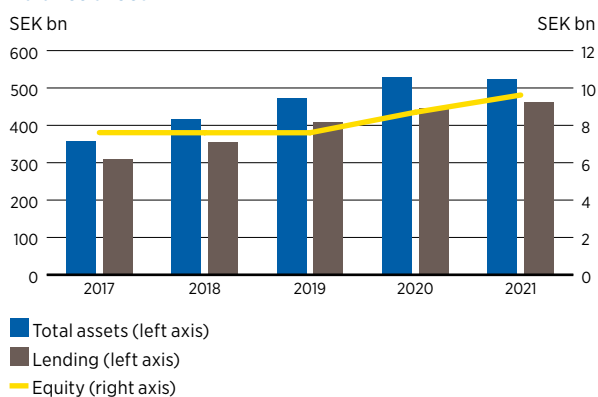
Capital targets

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 1,000 (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 purpose of the capital planning is for all operations to be adequately capitalised to meet both current and future regulatory requirements.

Kommuninvest's capitalisation – responsibility of the owners

In 2020, the Annual General Meeting of the Society adopted amended Articles of Association and a new plan for Kommuninvest's build-up of capital, which is based on a forecast of Kommuninvest's lending to members. According to the amended statutes and adopted capital plan, members' contribution capital to the Society will increase by about SEK 5 billion over the next four years, with members gradually paying a higher contribution per inhabitant up until 2024 – from SEK 900 per inhabitant in 2020 to SEK 1,300 per inhabitant in 2024.

Balance sheet



Leverage ratio

Effective 28 June 2021, the new capital requirement measure, leverage ratio, is applied within the EU. The leverage ratio has been set at 3 percent and will be directly applicable to Kommuninvest via the Capital Adequacy Regulation (EU) 2019/876 of 20 May 2019. The leverage ratio is defined as the ratio between Tier I capital and total exposure in assets and commitments. The leverage ratio has been reported to the relevant authorities since 2014.

A specific 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.

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

Risks and uncertainty factors

In its business, the Company encounters a number of uncertainties that may have an impact on the Company's net profit, financial position or opportunities to attain set targets. As with developments in the capital markets, the macroeconomic trend is uncertain. Geopolitical risks, risks for international trade and generally high levels of debt are among the factors that could cause volatility in the

financial markets. 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 pandemic. The Company has not suffered any credit losses.

Risk management

The Company's operations serve solely to support the financing of the local government sector, distinguishing it in several key regards from other financial market players.

- Lending is provided exclusively to Swedish municipalities, municipal corporations, regions or borrowers guaranteed by local government authorities and therefore carries a zero risk weight from the perspective of capital coverage.
- The members of the Kommuninvest Cooperative Society, the owners, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- The Company conducts no deposit operations and does not seek to make a profit.

At the end of the period, the Company's total credit risk exposure amounted to SEK 524,779.5 (529,578.0) million. Of this exposure, 88 (84) percent involved Swedish municipalities and regions in the form of lending, 11 (12) percent involved sovereigns and other issuers of securities in the form of investments and deposits, 1 (1) percent involved exposures to derivative counterparties and 0 (3) percent of the exposure involved other assets. Off-balance sheet items accounted for 0 (0) percent (committed loans and committed undisbursed loans).

Counterparty risk is limited by entering into contracts with counterparties with high creditworthiness, as well as ISDA agreements drawn up permitting early redemption should the counterparty's credit rating deteriorate, and CSA agreements regulating the right to collateral to eliminate the counterparty exposure incurred in derivative transactions. ISDA

agreements are drawn up with all counterparties. Counterparty exposure to derivative counterparties amounted to SEK 2,613.6 (3,102.5) million after netting for each counterparty and net of collateral received.

In order to ensure good liquidity, the Company's liquidity reserve is primarily held in sovereign securities, as well as in investment repos backed by covered bonds. The composition of the liquidity reserve as per 31 December 2021 is shown in the chart on page 9.

A description of the Company's risk exposure can be found on pages 37–41 and in Note 3 in the 2021 Annual Report for Kommuninvest AB, as well as in the Risk and Capital Management Report that is available at www.kommuninvest.se.

Employees

At the end of the period, there were 102 (97) employees. The average number of employees during the period was 100 (103).

Board of Directors

As per 31 December 2021, the Company's Board of Directors consisted of Ellen Bramness Arvidsson (Chairman), Kurt Eliasson, Lars Heikensten, Erik Langby, Kristina Sundin Jonsson, Catrina Ingelstam, as well as Mats Filipsson and Anette Henriksson, who stepped in as ordinary Board members in April 2021, and employee representatives Mattias Bokenblom and Kristin Ekblad. Kurt Eliasson stepped down as an ordinary Board member in April 2021.

Management

On 31 December 2021, the Company's Executive Management Team consisted of Tomas Werngren (CEO), 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 Ulfgrén (CIO).

Events after the balance sheet date

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

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
NET INTEREST INCOME	2	680.8	711.3
Dividends received		2.1	1.9
Commission expenses		-11.4	-12.7
Net result of financial transactions		47.6	-247.7
<i>of which, derecognised assets measured at amortised cost</i>		2.5	0.2
Other operating income		10.2	11.6
TOTAL OPERATING INCOME		729.3	464.4
General administration expenses		-247.8	-240.2
Depreciation and impairment of intangible assets		-6.4	-1.1
Depreciation and impairment of material assets		-2.5	-2.3
Other operating expenses		-2.8	-3.9
TOTAL OPERATING EXPENSES		-259.5	-247.5
PROFIT BEFORE CREDIT LOSSES		469.8	216.9
Net credit losses		6.3	11.1
OPERATING PROFIT		476.1	228.0
Tax		-100.5	-48.3
PROFIT FOR THE YEAR		375.6	179.7

Statement of comprehensive income

1 January - 31 December

SEK, million	2021	2020
PROFIT FOR THE YEAR	375.6	179.7
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	375.6	179.7

Balance sheet

As per 31 December

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

Statement of changes in equity

SEK, million	Restricted equity				Unrestricted equity			Total equity	
	Share capital	New share issue in progress	Development expenditure reserve ¹	Statutory reserve ²	Fair value reserve ³	Unrestricted share premium reserve	Profit or loss brought forward	Net profit	
Equity brought forward 1 Jan 2021	7,100.0	1,100.0	30.4	17.5	0.0	0.0	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		0.0
Other comprehensive income					-				0.0
Total comprehensive income	0.0	0.0	-5.7	0.0	0.0	0.0	5.7	375.6	375.6
Transactions with shareholders									
Appropriation of surplus							179.7	-179.7	0.0
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
Total transactions with shareholders	1,875.0	-1,100.0	0.0	0.0	0.0	155.0	-207.8	-179.7	542.5
Equity carried forward 31 Dec 2021	8,975.0	0.0	24.7	17.5	0.0	155.0	74.5	375.6	9,622.3
Equity brought forward 1 Jan 2020	7,100.0	-	21.1	17.5	-	-	155.5	307.9	7,602.0
Net profit								179.7	179.7
Change in development expenditure reserve for the year			9.3				-9.3		-
Other comprehensive income									-
Total comprehensive income	-	-	9.3	-	-	-	-9.3	179.7	179.7
Transactions with shareholders									
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 contribution							48.3		48.3
Total transactions with shareholders	-	1,100.0	-	-	-	-	130.4	-307.9	922.5
Equity carried forward 31 Dec 2020	7,100.0	1,100.0	30.4	17.5	-	-	276.6	179.7	8,704.2

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 depreciation 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.

Cash flow statement

1 January – 31 December

SEK, million	2021	2020
Operational activities		
Operating profit	476.1	228.0
Adjustment for items not included in cash flow	-40.2	238.1
Income tax paid	-	-
	435.9	466.1
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
Cash flow from operational activities	-4,398.8	-73,828.6
Investment activities		
Acquisitions of intangible assets	-0.4	-10.3
Acquisitions of tangible assets	-1.7	-2.0
Cash flow from investment activities	-2.1	-12.3
Financing activities		
Issue of interest-bearing securities	173,761.3	201,396.9
Maturity and repurchases of interest-bearing securities	-181,607.9	-129,437.1
New share issue	930.0	1,100.0
Change in debt ratios within the Group	-276.9	-1,345.9
Cash flow from financing activities	-7,193.5	71,713.9
Cash flow for the year	-11,594.4	-2,127.0
Cash and cash equivalents at start of the year	20,601.7	22,728.7
Cash and cash equivalents at end of the year	9,007.3	20,601.7
Liquid assets consists in their entirety of cash and balances at central banks, as well as loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.		
Adjustment for items not included in cash flow		
Amortisation/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
Total	-40.2	238.1
Interest paid and received, included in the cash flow		
Interest received ¹	1,163.3	1,898.2
Interest paid ²	-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 paid interest 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 new share issue in progress	8,200.0	930.0				9,130.0
Inter-company liability	276.9	-276.9			488.0	488.0
Total	524,278.0	-7,193.5	1.1	-3,475.7	488.0	514,097.9

Note 1 Accounting principles

Compliance with standards and legislation

Kommuninvest's year-end report has been prepared applying the regulation regarding annual reports in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). 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 chosen not to prepare consolidated accounts, see Note 9.

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.

New and amended 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 interest 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 information, see Note 3 and Note 17 in Kommuninvest's 2021 Annual Report.

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

New and amended 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.

Note 2 Net interest

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
Total	998.3	1,743.1
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
Total	-317.5	-1,031.8
Of which: interest income from financial items not measured at fair value through the income statement	-344.5	-1,110.4
Net interest income	680.8	711.3

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

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

Note 3 Credit losses, net

	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
Total	6.3	11.1

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 in Kommuninvest's 2021 Annual Report.

Note 4 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		
Financial assets						
Cash and balances with central banks	7,672.5	-	-	-	-	7,672.5
State 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
Total	398,783.0	-	5,485.7	119,546.1	243.6	524,058.4
Financial liabilities						
Liabilities to credit institutions ¹	277.7	-	-	-	-	277.7
Securities issued ¹	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
Total	353,981.3	3,576.7	-	156,760.7	274.7	514,593.4

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 4, 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		
Financial assets						
Cash and balances with central banks	18,931.2	-	-	-	-	18,931.2
State 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
Total	406,073.8	-	1,693.2	118,671.9	736.2	527,175.1
Financial liabilities						
Liabilities to credit institutions ¹	379.7	-	-	567.3	-	947.0
Securities issued ¹	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
Total	350,658.9	18,464.0	-	148,973.6	513.6	518,610.1

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. Fundings expected to be traded in an active market are classified in level 1. Fundings valued at quoted prices, not deemed as traded in an active market, are classified in level 2. Funding valued based on discounted future cash flows are classified in level 2, with the exception of funding for which anticipated future cash flows are attributable to significant non-observable market data, which are classified in level 3. The members' guarantee undertaking affects the valuation of funding and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins.

Derivatives

Standardised derivatives in the form of FRA contracts scheduled for IMM days and traded in an active market are measured according to level 1. The fair value of other derivatives is calculated by discounting the anticipated future cash flows taking place at mid-prices at relevant reference rates for the currency concerned. Where anticipated future cash flows are dependent on unobservable market data or elements on in-house assessment, derivatives are classified in level 3; otherwise, they are classified in level 2. All derivatives classified in level 3 are swaps matching funding transactions classified in level 3. The discount rate has been set as the current quoted swap rate in each currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads.

Note 4, continued

The credit valuation adjustment for derivatives, CVAS, 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 maturity 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 maturities 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 of SEK -2.6 million – SEK +0.4 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.

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.

Note 4, continued

Financial instruments recognised at fair value in the balance sheet

2021	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign bonds eligible as collateral	-	1,652.0	-	1,652.0
Lending	-	108,901.3	-	108,901.3
Bonds and other interest-bearing securities	5,941.8	3,051.1	-	8,992.9
Derivatives	-	5,638.2	91.1	5,729.3
Total	5,941.8	119,242.6	91.1	125,275.5
Financial liabilities				
Liabilities to credit institutions	-	-	-	-
Securities issued	112,586.9	39,024.2	5,149.7	156,760.8
Derivatives	-	3,284.2	567.2	3,851.4
Total	112,586.9	42,308.4	5,716.9	160,612.2
2020				
Financial assets				
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
Total	2,632.3	117,983.8	485.0	121,101.1
Financial liabilities				
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
Total	122,672.4	37,224.4	8,054.4	167,951.2

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

	Recognised value 31 Dec 2021	Recognised value 31 Dec 2020
Assets		
To level 1 from level 2	-	-
To level 2 from level 1	-	585.2
Liabilities		
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.

Note 4, 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
Financial assets					
Cash and balances with central banks	-	7,672.5	-	7,672.5	7,672.5
Sovereign 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
Total	691.0	397,907.5	-	398,598.5	398,783.0
Financial liabilities					
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
Total	-	355,742.0	-	355,742.0	353,981.3

2020	Level 1	Level 2	Level 3	Total fair value	Recognised value
Financial assets					
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
Total	3,673.0	403,323.9	-	406,996.9	406,073.8
Financial liabilities					
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
Total	-	352,173.2	-	352,173.2	350,659.1

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
Opening balance, 1 Jan 2021	485.1	-389.9	-7,664.4	-7,569.2
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-393.9	-177.3	569.0	-2.2
Funding raised/securities issued			-4,993.4	-4,993.4
Matured during period			6,939.3	6,939.3
Closing balance, 31 Dec 2021	91.2	-567.2	-5,149.5	-5,625.5
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	7.6	-213.1	202.1	-3.4
Opening balance, 1 Jan 2020	184.8	-489.0	-6,731.5	-7,035.7
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	300.3	99.1	-386.4	13.0
Funding raised/securities issued			6,173.7	6,173.7
Matured during period			-6,720.2	-6,720.2
Closing balance, 31 Dec 2020	485.1	-389.9	-7,664.4	-7,569.2
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 5 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 settlement in the balance sheet, since the legal right to settlement only applies for a stated type of suspension of payments, insolvency or bankruptcy.

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

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

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

Note 6 Capital adequacy and leverage ratio

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

1) For a more detailed description of the constituent instruments, see page 57 of Kommuninvest's 2021 Annual Report.

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.

Risk exposure amounts and minimum capital amounts	2021			2020		
	Risk exposure	Capital requirement, percent	Capital requirement	Risk exposure	Capital requirement, percent	Capital requirement
Capital requirement, Pillar I						
Capital requirement for credit risks (the standardised method)	383.9	8.0%	30.7	360.3	8.0%	28.8
of which, institutional exposures	267.1	8.0%	21.4	258.2	8.0%	20.6
of which, corporate exposures	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
Total risk exposure amount and minimum capital amount	2,366.7	8.0%	189.3	2,438.8	8.0%	195.1

Capital adequacy ratios	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 ¹	2021		2020	
Additional capital base requirements, Common Equity 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	-	-
Total specific capital base requirements for risks other than insufficient leverage ratio	74.8%	1,770.1	-	-

1) In accordance with Finansinspektionen's decision of 24 September, 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	-	-	-	-
System risk buffer	-	-	-	-
Total buffer requirements	2.5%	59.2	2.5%	61.0
Core Tier I capital available for use as buffer	314.4%	7,439.8	294.5%	7,181.5

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 ¹	74.8%	1770.1	-	-
Combined buffer requirement	2.5%	59.2	2.5%	61.0
Pillar II guidance ¹	-	-	-	-
Total assessed capital base requirement	85.3%	2,018.6	10.5%	256.1

1) In accordance with Finansinspektionen's 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

Note 6, continued.

Other information to be provided in accordance with section 8 of the CRR and Finansinspektionen's 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	-
Total exposure	61,212.2	69,598.3
Tier I capital, calculated applying transitional rules, see the section Capital adequacy	9,399.2	7,376.6
Leverage ratio	15.36%	10.60%

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 ¹	- -	- -
Pillar II guidance ¹	- -	- -
Total assessed capital base requirement	3% 1,836.4	- -

¹) In accordance with Finansinspektionen's 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 requirements

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 Finansinspektionen's 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
Capital requirement, Pillar II		
Credit risk	31.6	20.7
Market risks	1434.7	1823.6
Capital planning buffer	-	1069.3
Total internally assessed capital requirement (Pillar II), excluding the risk of insufficient leverage ratio	1466.3	2913.6
Internally assessed capital requirement for the risk of insufficient leverage ratio	1940	446
Total internally assessed capital requirement (Pillar II)	3406.3	3359.6

Kommuninvest's internal capital assessment forms the basis for the internally assessed capital requirement.

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 9–10, for details of capital targets, see the table below.

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

Note 7 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 administrates Stibor, requested that 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 reference 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 Swedish central bank 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 interest 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 (over-night 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 fundings 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. Although the nominal amounts are large, the number of contracts is small, reducing the scale of operational handling for the swaps.

All interest rate swaps are cleared by LCH. During the transition, LCH will follow the ISDA's "IBOR Fallbacks Supplement and Protocol", which governs how expiring reference rates are to be handled. Since both Kommuninvest and all of its derivatives counterparties have signed the ISDA protocol and since Kommuninvest only has derivative contracts referencing USD Libor 3m outstanding, all outstanding contracts referencing USD Libor 3m are covered by the ISDA protocol. Accordingly, Kommuninvest intends to convert these contracts as late as possible. 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 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.

Note 7, continued.

Another risk for Kommuninvest has been no longer being able to hedge derivatives subject to clearing obligations under EMIR via London Clearing House Limited (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.

Note 8 Relations with related parties

No significant changes in relationships or transactions have occurred.

During the period, Kommuninvest had a related party relationship with the Kommuninvest Cooperative Society (parent society), Kommuninvest Fastighets AB (subsidiary). For more information, see Note 24 in Kommuninvest's 2021 Annual Report.

Note 9 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.

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) million and generated a profit of SEK 0.0 (loss 0.3) million.

Note 10 Events after the balance sheet date

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

Board member signatures

The Board of Directors hereby declares that this year-end report provides a true and fair overview of the operations, position and results of the Company as well as describing significant risks and uncertainty factors facing the Company.

Stockholm, 15 February 2022

Ellen Bramness Arvidsson
Chairman

Mats Filipsson
Board Member

Lars Heikensten
Board Member

Anette Henriksson
Board Member

Catrina Ingelstam
Board Member

Erik Langby
Board Member

Kristina Sundin Jonsson
Board Member

Mattias Bokenblom
Employee representative

Kristin Ekblad
Employee representative

Tomas Werngren
President and CEO

This report has not been audited. The report contains information that Kommuninvest is required to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 15 February 2022 at 4:00 p.m. CET. From 24 February, it will be possible to download the complete 2021 Annual Report from the website, www.kommuninvest.se.

The consolidated accounts are prepared by the Parent Society, the Kommuninvest Cooperative Society, and will be published on www.kommuninvest.se on 31 March 2022.



KOMMUNINVEST

Postal address: P.O. Box 124, SE-701 42 Örebro, Sweden. Visitors: Fenixhuset, Drottninggatan 2, Örebro.
Telephone: +46 (0)10-470 87 00. Telefax: +46 (0)19-12 11 98. e-mail: name.surname@kommuninvest.se
www.kommuninvest.se