

KOMMUNINVEST I SVERIGE AB

Annual Report 2022



KOMMUNINVEST

INTRODUCTION

Kommuninvest in brief	3
Chairman's statement	8
President's statement	10
Our mission	12

SUSTAINABILITY REPORT

Sustainability report 2022	16
Environmental and climate work	18
Social sustainability	20
Governance/financial sustainability	22
Sustainability indicators	24
Auditor's opinion	26

BOARD OF DIRECTORS' REPORT

Business focus	28
Local government loan financing	29
Lending	30
Funding	32
Liquidity management	33
Organisation and employees	34
Financial position	35
Proposed distribution of earnings	36
Risk and capital management	37
Corporate governance report 2022	42

FINANCIAL STATEMENTS

Table of contents, financial statements and notes	51
Income statement and Statement of comprehensive income	52
Balance sheet	54
Statement of changes in equity	56
Cash flow statement	58
Notes	59
Five-year summary	95
Alternative performance measurements	96
Signatures	97
Audit Report	98

The Annual Report for Kommuninvest i Sverige AB (publ) is presented on pages 27–97. 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

While every care has been taken in translation of this report, readers are reminded that the original report, signed by the Board of Directors and the CEO, is in Swedish.

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 grown to SEK 99.9 billion.

Our vision

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

Basic concept

Together, municipalities and regions can borrow more securely and inexpensively than each of them could individually. Together, the local government sector can also increase its expertise in financial management.

Organisation with clear division of roles

Kommuninvest comprises two parts: The Kommuninvest Cooperative Society (the Society) and the credit market company Kommuninvest i Sverige AB (the Company).

Kommuninvest Cooperative Society

Administers membership and the joint and several guarantee, and is responsible for capital acquisition.

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.

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 482 bn

Lending to members amounted to SEK 482 billion at the end of 2022.

From pandemic to war – a challenging year

The year 2022 was a challenging one, characterised largely by the Russian invasion of Ukraine, while the corona pandemic abated. Kommuninvest dealt with turbulent markets, high inflation, rising interest rates and tougher economic conditions for the local government sector. In this, Kommuninvest again demonstrated tangible stability. Growth in lending was relatively good. On the minus side, it is clear that Kommuninvest will again have to pay the risk tax in 2023.

From pandemic to war

The year 2022 was a turbulent and challenging one. Initially, one waning crisis, the corona pandemic, was replaced by another – the Russian invasion of Ukraine. The course of events in Ukraine tangibly pervaded the rest of the year, with an energy crisis in Europe and global inflation at levels not seen in decades.

At the beginning of the year, the pandemic remained a pervasive reality. Another wave of contagion was in progress. From March onwards, contagion diminished significantly, both in Sweden and in large parts of the world. Restrictions were lifted and societies opened up. There was a clear return to a new normal. By the end of the year, this had not led to any restrictions being reintroduced in Sweden or in most other parts of the world.

In terms of the pandemic dynamic, the year began with a strong recovery. This was true of Sweden and most of the global economy. Growth was at a high level. Unemployment decreased. At the same time, bottlenecks and supply issues emerged in global trade. In the interplay between an expansive trend and trade disruptions, inflation began to gain momentum.

With the Russian invasion of Ukraine in late February, the conditions changed. The war exacerbated trade disruptions, with particularly serious consequences in the energy sector. This pushed inflation up to high levels. To restrain inflation, central banks, including the Riksbank, began rapidly tightening their monetary policies. Quan-

titative easing (QE) programmes were curtailed. Policy rates were rapidly raised. Towards the end of the year, the rate of inflation had again begun to decline in some countries, but not others. Against the backdrop of this general scenario, with a protracted war and tight monetary policy, the economy gradually slowed. At the end of the year, large parts of the global economy, Sweden included, were headed into a slump or recession.

Following the outbreak of the war, an uncertainty, marked by clearly increased volatility, arose in the financial markets, persisting to varying degrees for the rest of the year. There was a rapid transition – during which market rates were generally a step ahead of the central banks' policy rates – from a distinctly low interest rate environment to what could be regarded historically as more normal rates. In the bond market, issuers found it periodically challenging to find financing on the desired terms. Demand from investors shifted. The volumes in the market decreased. Some stability returned in the fourth quarter, although with future prospects still uncertain.

This overall trend had a major impact on local government finances. With high inflation, rising interest rates and weak stock markets – while the expanded central government allocations during the pandemic have been phased out – the local government sector has entered tougher times. It appears as though net profits for 2022 will be relatively favourable. The autumn's



budget process was, however, troublesome, and it appears as though both 2023 and 2024 will be difficult years.

Stability

Despite this unsettled environment, Kommuninvest has continued to show tangible stability. Here too, the organisation has demonstrated its ability to stand firm as the storm rages. Immediately following the Russian invasion, the Company entered crisis mode in accordance with its internal crisis plan. A number of measures were taken to increase preparedness and secure the operations with regard to counterparties and cyber threats, for example. In June, the Company returned to its normal mode of operation.

Kommuninvest's lending continued to grow over the year. In the initial turbulence surrounding Ukraine, and intermittently over the subsequent months, some customers chose to borrow from Kommuninvest rather than through their own market programmes. Although the autumn was instead characterised by subdued growth in lending. High inflation and rising interest rates helped restrain the pace of investment. Given the new interest rate environment and their liquidity being strong, some customers chose to make repayments on loans. Some customers once again stepped up the level of activity in their own capital market programmes.

The sustainable loan products continued to develop. Based on disbursed volume, the share of Green Loans, relative to total lending, rose to about 14 percent at the end of the year. Also at the end of the year, Social Sustainability Loans had achieved 16 approved investment projects, SEK 1.7 billion in loans granted and SEK 1.0 billion in loans disbursed.

Over the year, Kommuninvest achieved key advances in its funding. In connection with a USD issue in February, SOFR entered use as the reference rate, rather than Libor. Following the 2019 decision regarding three strategic funding markets – SEK, USD and EUR – the first bond in EUR was issued in March. The borrowing forecast for the year was revised upwards in April and October. The main reason for the second revision was a need for liquidity to address, with low risk and good margins, major interest and exchange rate fluctuations in a volatile market.

Kommuninvest continued to strengthen the support offered to customers and members regarding financial decisions. An important addition was the “Debt Management Handbook” launched in September. The purpose of the handbook is to use data, analysis and concrete examples to seek to assist municipalities and regions in the assessments that must be made to conduct balanced debt management.

The independent and temporary group of experts, the Welfare Economists, that Kommuninvest established in



2020 to strengthen the analysis of local government finances during, and from the perspective of, the pandemic, completed its work in June. Its fifth and final report, published in March, focused on future developments in local government sector investment.

When the pandemic restrictions were lifted in March, Kommuninvest returned to office-based operations. Although digital and hybrid elements remain, the office returned to being the obvious hub of our operations. In March, the Annual General Meeting of the Society was conducted as a hybrid event with in-person attendance in Gothenburg.

In December, Katarina Ljungqvist was appointed as the new CEO of Kommuninvest. On 1 April 2023, she will take over from Tomas Werngren, who announced in September his decision to step down as CEO and prepare for retirement. Like her predecessor, she will take on the role of President and CEO of both the Kommuninvest Cooperative Society and of the Company, Kommuninvest i Sverige AB.

Risk tax

The “risk tax” was implemented as of 1 January 2022. Over the year, Kommuninvest paid SEK 257.3 million in tax.

When the decision on the risk tax was made in December 2021, the Riksdag made an announcement regarding local government cooperation. The Riksdag called on the government to present a proposal, by 1 October

2022 at the latest, that Kommuninvest would no longer be subject to the tax as of 1 January 2023. The Riksdag also called on the government to devise a solution compensating the local government sector for the additional expense imposed by the tax in 2022. Although the previous government provided compensation of SEK 300 million to the local government sector in the summer, it did not deliver legal exemption for Kommuninvest.

In its 2023 budget, the new government provided compensation. In an expansion of the general central government allocations to the local government sector, the compensation for the risk tax is included as an integral component. The increase, and thus the compensation, covers the period 2023–2025. Nor has the new government, however, delivered any exemptions to date. Accordingly, Kommuninvest expects to have to pay SEK 326 million in tax in 2023, mainly due to a higher tax rate.

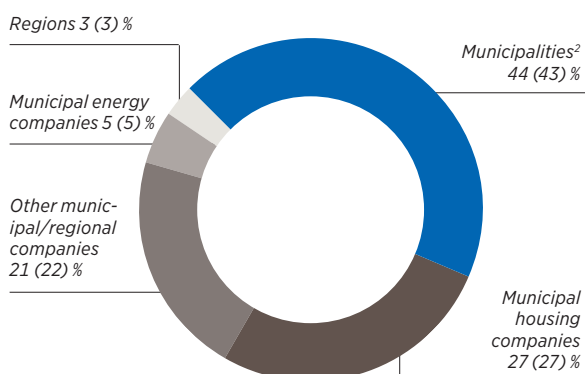
Just as in 2022, Kommuninvest will continue its actions to ensure that the exemption is applied. In the organisation’s management of the tax expense, a key component in the overall solution will be stricter terms for the members within the framework of the Kommuninvest Cooperative Society. As another key component, restructuring programmes have begun to be implemented through efficiency enhancements, both in the Company and the Society, to reduce the Group’s cost level (excluding the risk tax). The programmes proved successful in their first year (of two planned).

MARKET SHARES, LOCAL GOVERNMENT LOAN FINANCING¹



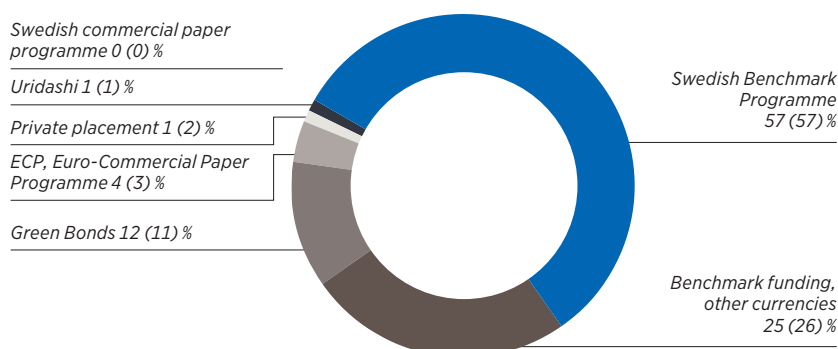
1) Forecast regarding outstanding funding (figures in brackets refer to actual outstanding funding in accordance with municipalities' and regions' own Annual Reports as per 31 December 2021).

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 2022. Figures in parentheses refer to 31 December 2021.

Multi-year summary, Kommuninvest i Sverige AB

	2022	2021	2020	2019	2018
Balance sheet total, SEK billion	553.3	524.3	527.4	471.3	417.2
Lending (recognised value), SEK billion	470.7	460.7	445.8	408.2	355.7
Net profit, SEK million	-42.1	375.6	179.7	307.9	586.1
Members, total	294	294	292	290	288
of which, municipalities	280	280	278	278	277
of which, regions	14	14	14	12	11
Core Tier I capital ratio, %	454.1	397.1	302.5	126.8	188.4
Tier I capital ratio, %	454.1	397.1	302.5	126.8	188.4
Total capital ratio, %	454.1	397.1	302.5	126.8	188.4
Leverage ratio, %	14.23	15.36	10.60	12.29	11.30

Security in a troubled world

In a world pervaded by turbulence and concern, Kommuninvest is a stable player and a secure organisation that is prepared to fully support its members. That is what we are intended to be. To future-proof the organisation, we conduct ongoing improvements focused on building strength and efficiency.

The year 2022 was a turbulent one. The Russian war of aggression against Ukraine, the high inflation rate, rising interest rates, weak stock markets and the weakening economy presented tough challenges. We do not know how long the hard times will last and we must be prepared that it will be increasingly difficult to predict the future.

Kommuninvest is built to withstand turbulent times. Step by step, we have built an organisation with a strong mandate, strong capitalisation and favourable liquidity. This provides it with the necessary resilience when the storm winds blow. We can serve as a safe haven. Meeting the financing needs of municipalities and regions and providing qualified advice to our customers are our core operations and focus.

Continued streamlining

There is a key interplay between efficiency and strength. A strong organisation needs to be efficient. Our two-year realignment programme was initiated in connection with the risk tax being established and was also useful and timely in other regards. The first year's results have been positive. The pace of change has been considerable. Several of the operations' processes have been streamlined. The cost reductions planned for the programme were achieved already in 2022. The work will continue systematically in 2023.

Over the coming years, we will take greater steps to continue to improve Kommuninvest. Among other things, we will increase our cyber security, develop our data management and



Kommuninvest is built to withstand turbulent times. Step by step, we have built an organisation with a strong mandate, strong capitalisation and favourable liquidity."

build an updated solution for our business systems. This too, it is largely a matter of building strength and efficiency.

Unfortunately, the risk tax will continue to be a reality for Kommuninvest even in 2023. To date, the Swedish government has failed to heed the Riksdag's (Swedish parliament) petition, communicated in December 2021, to provide an exemption for local government collaboration through Kommuninvest. This is regrettable. It is not sufficient for the local government sector to be compensated for the risk tax. In the long term, the only reasonable solution is for an exemption to be put in place. We believe the government will deliver on this by the end of 2023/start of 2024.

Increased focus on sustainability

Another key point on our development agenda is our sustainability work. Our Green Loans have developed positively. With them, we have paved the way and contributed to a now well-established market for Green Bonds. It is now the turn of the legislators to establish a common language. This is good, it is important for the efficiency and stability of a market. Kommuninvest aims to support its members in gradually adopting the new language to be able to relate all of the good realignment work being done. We have initiated efforts to expand our sustainability reporting. We are integrating ESG risks in our credit provision and risk management.

The volume of Social Sustainability Loans has grown, albeit at a moderate pace.



CEO change with continuity

In December 2022, Katarina Ljungqvist was appointed as the new CEO of Kommuninvest. On 1 April 2023, she will take over from Tomas Werngren, who announced in September his decision to step down as CEO and prepare for retirement. Tomas Werngren has been CEO for a long time and the change will be substantial. Fundamentally, however, a clear continuity exists. Katarina Ljungqvist will continue to build on our strength and efficiency on the basis of the solid foundation of values on which Kommuninvest stands.

At the same time, on 1 April 2023, I will also step down and hand over to a successor. I have been part of the Company's development journey for many years. It has been a pleasure and a privilege. But now I feel it is right time to let someone else take over as Chairperson. I would

like to convey a big thank you to everyone who contributed to this journey!

A special thanks goes to the very competent and dynamic staff. They are a great asset – not least in troubled times. It is our staff that, with its will to change, has built our strength. And it is our staff that will ensure that Kommuninvest reaches its goal of becoming “the world's best organisation for local government financial administration”.

Kommuninvest i Sverige AB

Ellen Bramness Arvidsson
Chairman

Stable development in turbulent times

In the turbulence of 2022, with Russia's war of aggression against Ukraine having extensive repercussions, Kommuninvest continued to advance the development of its operations. The stability of the organisation was good.

Progress was made in funding, for example, sustainability work and the restructuring programme aimed at enhancing the efficiency of the operations.

Challenging year

The year 2022 was a challenging one. The combination of the Russian war against Ukraine, high inflation, rising interest rates, turbulent markets and a weakening economy caused a long list of problems across large areas of the world.

Just as in previous crises, Kommuninvest has been able to maintain demonstrable stability. The operations have continued as normal. Of course it is for such situations that the organisation is built. We must stand firm even in a turbulent environment.

For the past couple of years, our strategy, like that of the Swedish government, to implement regular bond issues in the Swedish capital market, has been successful. This has become a stable and cost-effective base on which to stand.

Tougher times

The local government sector has experienced a rapid shift from a couple of years with strong outcomes to tougher times financially. The increases in expenses have been drastic. The budget work for 2023 has been difficult in many areas. In our assessment, however, the general financial strength of the local government sector is favourable. The equity/assets ratio is relatively high and the debt levels fully manageable. The starting position for a tougher period is favourable.

Kommuninvest's lending continued to grow. The increase in volumes was, nonetheless, moderate. A large number of members entered 2022 with strong liquidity. Rising interest rates increased the incentives to make repayments on loans. In addition, increased interest and con-



Most of all, however, I will miss Kommuninvest's dedicated and talented personnel. Thank you for a highly beneficial collaboration!"

struction expenses helped restrain the pace of investment.

Sustainability

The volume of Green Loans continued growing at a good pace. At the same time, Social Sustainability Loans face certain challenges. Volume growth is cautious. In this area, many of our members seem to need quite a long run-up.

In sustainability, we have established a structure and planning for addressing the EU taxonomy and related regulations. It is a matter of developing our sustainability reporting and integrating ESG risks into our credit provision and risk management.

Risk tax

Unfortunately, Kommuninvest will also pay SEK 326 million in risk tax in 2023. The Swedish government has yet to heed the Riksdag's (Swedish parliament) call for an exemption. Although the government has ensured that the local government sector is compensated for the risk tax, it is nonetheless a heavy burden for Kommuninvest as an organisation. We now expect the government to ensure that the exemption is in place for 2024.

Net profit

The operating loss of SEK 53 million for 2022 was associated largely with the risk tax, representing an expense of slightly more than SEK 257 million, and unrealised negative changes in market values of about SEK 209 million. As changes in market value involve accounting practices, negative values will now increase operating profit at a later stage. Including the



risk tax, operating income amounted to SEK 162 million. Excluding the risk tax, operating income is SEK 420 million, which is on a par with the outcome for 2021. Net interest income ended up higher than forecast. The substantial volatility in the market has been a challenge in terms of handling and calibration.

Streamlining

In the autumn of 2021, Kommuninvest initiated an internal restructuring programme. Although this was linked to the handling of the risk tax, there was also a broader incentive. It was necessary, through simplification and standardisation, to free up resources for the investment needs facing the Company. To date, the Company's employees have implemented the programme in exemplary manner. Despite inflation and a weak SEK, the two-year target of cutting the Company's expenses by 10 percent was already achieved in the first year.

Thank you for these years working together

This will be my last President's statement. On 1 April 2023, I will be handing over to Katarina Ljungqvist. It has been an honour to have been involved in building up the financial infrastructure that helps make the local government sector viable. All of my meetings with customers and members, as well as with players in the capital market, have afforded me great insight and knowledge. Most of all, however, I will miss Kommuninvest's dedicated and talented personnel. Thank you for a highly beneficial collaboration!

Kommuninvest i Sverige AB

Tomas Werngren
President and CEO

How Kommuninvest helps build welfare

Kommuninvest accounts for most of the loan financing for the local government sector's investments. This applies to housing, schools, nursing homes, swimming pools and infrastructure, among other things.

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 borrowing. 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 raises funds on an ongoing basis, 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 repayment capacity is deemed highly secure. From a credit risk perspective, Kommuninvest's funding is regarded as equivalent to the Swedish central government's 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 beneficial terms. To be able to meet our members' credit requirements, even when the markets are uneasy, we always maintain liquidity in reserve.

2. Loan application and credit check

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

As 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 analysis needs to be carried out. These should not be seen as fixed long-term ceilings, but are part of a continuous and active credit 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 project 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 lending volume has grown sufficiently large.

4. Disbursement of loans

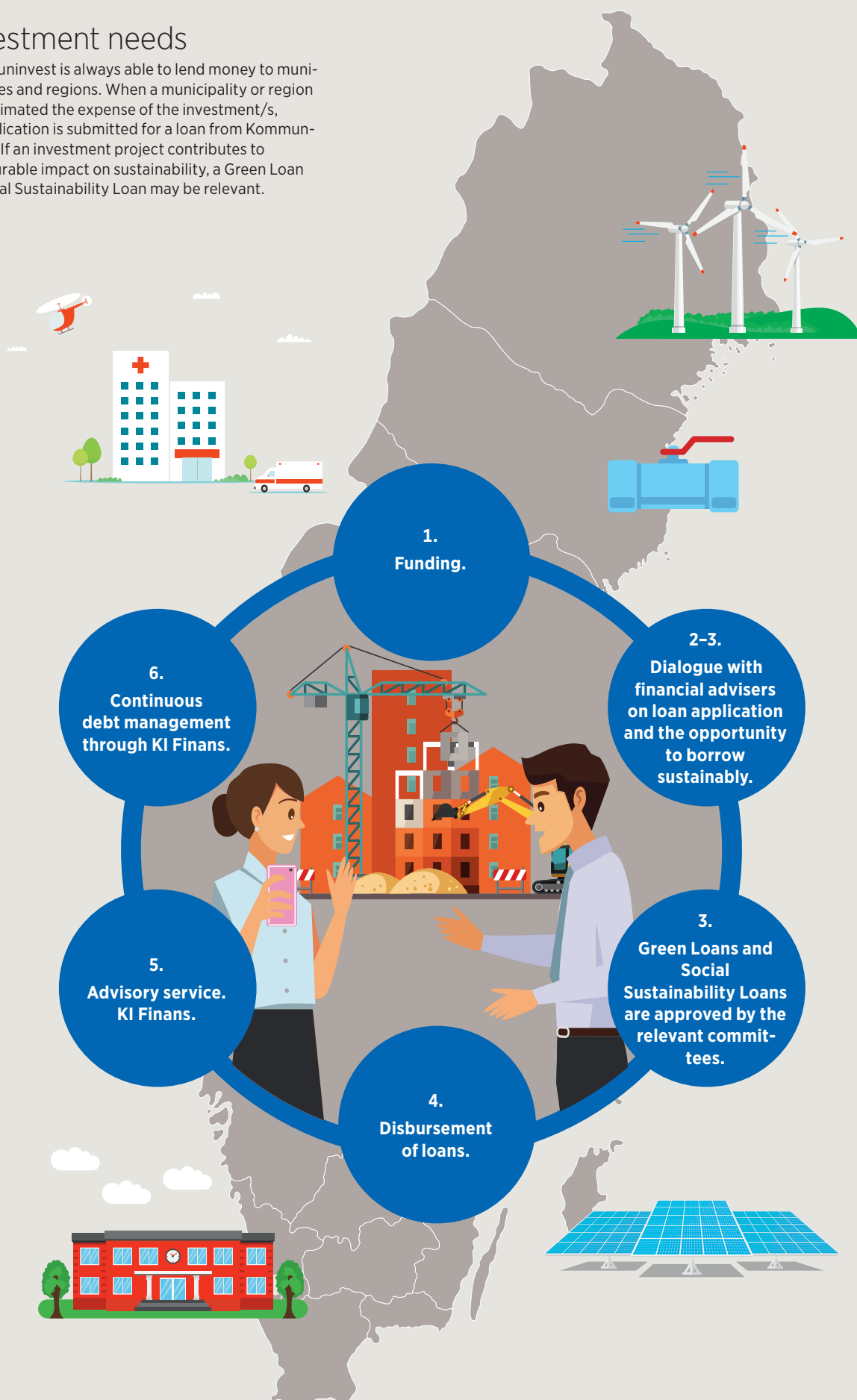
Because we know our members well and apply fast, efficient and highly digitalised credit provision, it takes only a short time between the customer's initiative and the disbursement of the loan. Whether it concerns a Green Loan or a Social Sustainability Loan, we handle the specific administration and 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

Kommuninvest is always able to lend money to municipalities and regions. When a municipality or region has estimated the expense of the investment/s, 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 and maintenance 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 are achieved, while keeping operating expenses down. Accordingly, Kommuninvest fills 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.

Debt management front and centre

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 is crucial for the sector to maintain favourable financing and support in effective debt management.

Kommuninvest's advisory services represent a central and important element in its offering to customers and members. As interest rates have risen, several areas within local government financial administration have gained increased relevance.

For this reason, the new report "Local Government Debt Management Handbook" appeared at a highly opportune moment in September. This will be useful as a tool for increasing the depth of Kommuninvest's advice on matters where the Company can make a big difference. For many municipalities and regions, ensuring that a favourable balance is maintained in the management of expenses and risks in their debt portfolios is a high priority.

A non-profit concept that benefits society

Kommuninvest is set up as a cooperative concept, its operations characterised by limited risk-taking. Risks shall be accepted only to be able to fulfil the mission as local government debt office, while other risks are to be eliminated. 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.

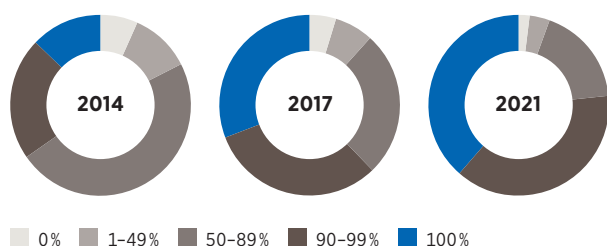
Towards more complete integration of sustainability

It is becoming increasingly clear that the financial market can influence the transition to more sustainable societies. In 2022, 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 has continued its work to be able to meet the new and planned regulations in the area of sustainability. This involves, among other things, expanding sustainability reporting and integrating ESG risks into credit provision and risk management.

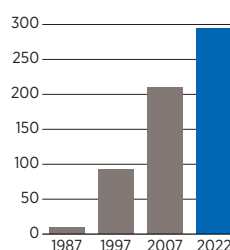


Kommuninvest's share of local government borrowing

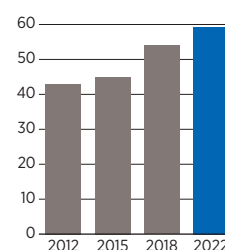


The compilation refers to Kommuninvest's share of borrowing among all of Sweden's municipalities and regions, including both members and non-members. Most of the municipalities and regions with no borrowing from Kommuninvest are non-members, meaning they are not entitled to raise loans from Kommuninvest. Data for 2022 were not available at the time of publication.

Number of members



Kommuninvest's market share, %



Sustainability Report 2022

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. Our aim is to integrate sustainability into all parts of 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 relevant legislation. This agrees 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.

A sustainable financial market

It is becoming increasingly clear that the financial market can influence the transition to more sustainable societies. The EU's action plan for financing sustainable growth, launched in 2018, is now being implemented at a high rate in regulations also being implemented by those affected. 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. The Company's work to be able to meet the mandatory and voluntary regulations that are planned, including new requirements for the integration of sustainability factors in strategies and business processes, new official reporting and the structured implementation of a voluntary European standard for Green Bonds, in progress since 2021, was intensified in 2022.

Financing, knowledge, responsibility

Kommuninvest contributes through effective and sustainable financing of municipal investments in long-term sustainable welfare in Sweden's municipalities and regions. A strong ownership structure and the joint and several guarantee provided by the Society's members allow us to fund our operations cost-efficiently and stably in the financial market. 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 and that contribute to the development of market practices. Since its launch in 2015, Kommuninvest's green financing programme has grown to become one of the largest in the Nordic region. Since 2021, the Social Sustainability Loans product has been offered, 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 local government sector. By extension, this should give elected representatives optimal room for manoeuvre in delivering welfare services to citizens. Given its socially beneficial role, 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 a repeat 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. In their capacity as owners, our dialogue with members is conducted mainly with elected politicians. In their capacity as customers, our dialogue with members is conducted mainly with local government officials, generally with specialists in economics and finance.

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.

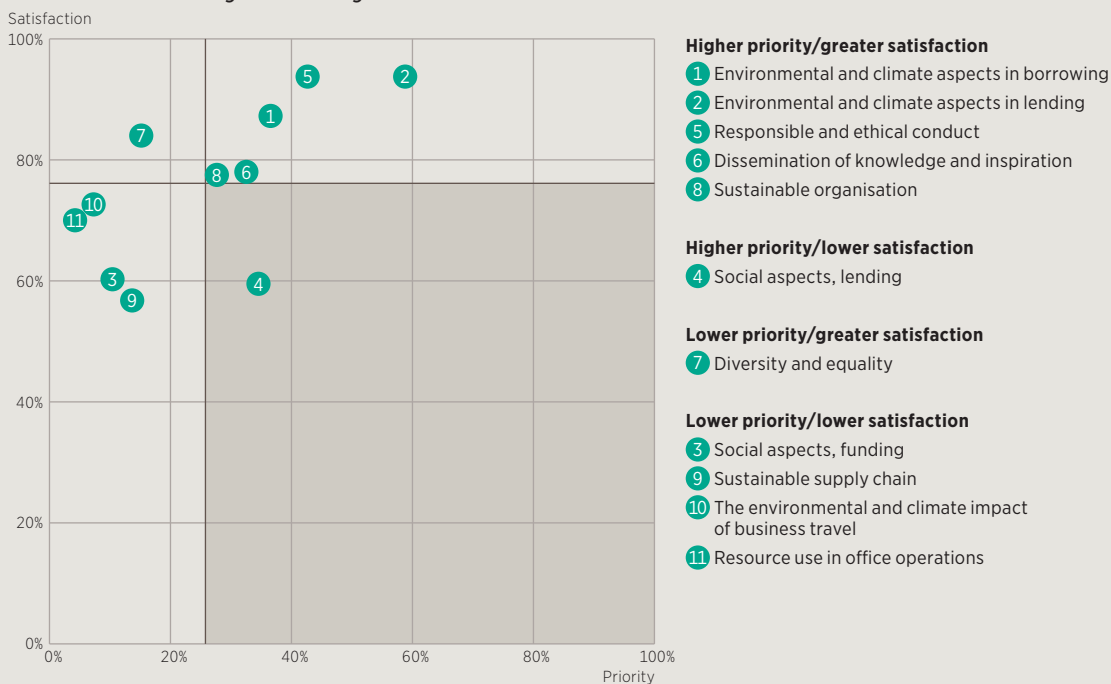


Kommuninvest's sustainability work is conducted in three dimensions

	Sustainable financing	Organisation and operations
Green	Green Loans Green Bonds	Business travellers – Green requirements Purchasing – Energy consumption
Social	Social Sustainability Loans Social Bonds	Work environment – Employee collaboration Equality – Diversity – Health
Finance/ governance	Loans Advisory service Research Education	Regulatory compliance – Handling Conflicts of interest – Code of Conduct

The sustainability work considers the environment/climate, social aspects and finance/governance, focusing partly on the core operation of sustainable financing and partly on the work within the organisation. Sustainable financing refers to the offering to members/customers and investors, and includes both traditional lending and sustainable financing programmes, as well as consulting, research and education, focusing on the financing of welfare investments. That the operations are conducted responsibly, in accordance with applicable laws, regulations and directives, as well as with a sustainable organisation able to meet stakeholder expectations and that is in focus for the more internally-oriented work.

Sustainability survey 2022



The 2022 sustainability survey showed that the internal and external stakeholders who were consulted perceive Kommuninvest to be continuing to perform well in the areas of sustainability that stakeholders consider most important. The stakeholders take the view that Kommuninvest should primarily prioritise environmental and climate aspects in lending, while also acting responsibly and ethically. Further progress is needed in terms of the social aspects of lending. The perception of Kommuninvest's performance increased in eight out of eleven investigated areas of sustainability. Number of respondents: 112 (response rate 70 percent).

Environmental and climate work

Over the year, Kommuninvest intensified efforts to understand and value the financial impact of environmental and climate factors on local government borrowers. At the same time, key steps have been taken to develop the green financing framework.

To support Kommuninvest's mission to finance the local government sector's development and investments for a beneficial and sustainable society, environmental and climate efforts are afforded a broad allocation. This spans lending and credit risk management, including sustainable financing programmes, to advice, research and analysis and also includes the operations' own environmental impact.

Contribute to the realignment of the local government sector

As the local government sector's largest lender, Kommuninvest is able to contribute to society's realignment process,

in which the local government sector plays an important role because it is under its auspices that a considerable part of the basic social infrastructure is managed and developed. Many municipalities have already decided to target climate neutrality by 2030 – and are currently developing target-focused investment plans. Investments in, for example, energy systems, traffic systems and property portfolios are affected.

To reflect the current realignment process among members, Kommuninvest adopted its own climate target in 2022 – to provide tools and support enabling the municipal and regional sectors to achieve Sweden's target of climate neutrality by 2045.

Climate targets

Kommuninvest shall provide tools and support enabling the municipal and regional sectors to achieve Sweden's target of climate neutrality by 2045.

The target means that the municipal and regional operations financed by Kommuninvest shall have no net emissions of greenhouse gases into the atmosphere in 2045. To monitor progress in the desired direction, efforts have been initiated to enable the calculation and subsequent follow-up of the financed emissions, including how they relate both to Sweden's long-term and intermediate targets. The focus is initially on the lending portfolio, because that part of the balance sheet has the clearest connection to the greenhouse gas emissions that Kommuninvest finances.





Because we represent the entire local government sector on matters of financing, Kommuninvest has chosen to affiliate itself with Sweden's national climate target. Among municipalities and regions, the level of ambition in their climate work varies. Kommuninvest, however, shall support local climate work regardless of the level of ambition.

The target means entails the municipal and regional operations financed by the Company not having any net emissions of greenhouse gases into the atmosphere by 2045. As a consequence, the Company has initiated work to be able to calculate its financed greenhouse gas emissions and to set intermediate targets during 2024.

The climate target is part of the Company's climate plan, which stakes out the direction in which Kommuninvest, in its role as a credit institution, can foster the local government sector's environmental and climate realignment. The plan indicates several of the operations' functions as relevant in being able to offer support, knowledge and tools. Furthermore, in its climate plan work, the Company must act via all the communication channels at its disposal, including its dialogue with customers, follow-up with members, and ongoing public reporting.

Analysis of environmental and climate risks

This work is linked to extended demands that credit institutions be required to take aspects of sustainability into account when providing and monitoring credit, as stipulated in the European Banking Authority's (EBA) guidelines. As mentioned, the agenda for establishing more sustainable regulation of the financial sector has largely been defined through the EU's action plan for financing sustainable growth. Ultimately, it is a matter of how the financial sector can help achieve the Paris Agreement's objective of limiting global warming and supporting the capacity to adapt to the consequences of climate change.

Regarding ESG risks, the Company continued developing its process for identifying and defining the environmental and climate factors of greatest potential financial impact on borrowers over the year, in terms of both the physical and transition risks and in terms of both credit provision and credit risk management.

The work has included prioritising the environmental and climate risks that are deemed to have a potential financial impact on members and customers, as well as identifying key figures/indicators to apply in follow-up and benchmarking. To date, efforts suggest that it is most relevant to follow up and assess risks of flooding, rockfalls or landslides caused by increased water levels or torrential rain, as well as operations with major greenhouse gas emissions.

Adapting Green Loans to the Taxonomy

Kommuninvest launched a green financing programme in 2015, the overall purpose of which is to promote the transition to a low-carbon and climate-resistant society. In 2021,

the programme received the Swedish Miljömålspriset environmental objectives award for its contribution to the environmental objective of limiting climate impacts. At the end of the year, 563 (513) investment projects had been approved for Green Loans, corresponding to a total SEK 99.9 (83.5) billion in granted financing. Of the granted funds, SEK 66.4 (60.2) billion had been disbursed by the end of the year, having been financed through nine Green Bonds outstanding for a value of SEK 63.3 (54.6) billion.

Financing can be granted for investment projects within any of the eight categories included in the Company's Green Bonds framework: environmental measures, water management, climate adaptation measures, green buildings, energy efficiency, waste management, sustainable transport and renewable energy.

Today, the largest category is green buildings, where the Company requires the energy performance of the buildings financed to be at least 20 percent better than that required under national building regulations. From 2021, climate requirements have been introduced for the construction phase of new construction projects, meaning that concrete climate-oriented measures are implemented in the construction project and that the building's climate impact during the construction phase has been calculated.

During 2022, work began to gradually/partially adapt the framework to the EU taxonomy, regarding the terms for qualifying to receive Green Loans. The first stage of this adaptation entails all project categories for which this is deemed possible and reasonable being required to meet the criteria for "significant contribution" in relation to at least one of the EU's six environmental targets. Work is also in progress to adapt the conditions for green buildings to also take climate requirements for the construction phase of renovation projects into account. The work is being conducted against the background of the ongoing development of a Green Bond standard within the EU.

Direct environmental and climate impact remained low

Beyond the Company's efforts to help reduce the indirect emissions of the financing operations, it remains a priority to mitigate our own direct climate footprint through continuous testing, follow-up, relevant actions and guidelines, both for business travel and office operations. We are building on Kommuninvest having more than halved its total climate footprint over the past five years, with our footprint per employee being well in line with equivalent organisations. To reduce the climate footprint of the head office, solar panels have been installed on the roof and cooling units have been replaced with a system based on district cooling. An initial follow-up showed the new cooling system in particular to have helped cut our electricity consumption. In 2022, a decision was made to replace the property's ventilation fans. Although a certain normalisation of business travel is noted, travel volumes remain significantly lower than pre-pandemic.

Social sustainability

The Company's financing creates the conditions for the most central welfare services in society to be maintained. The work to manage social factors in the business also includes social aspects of employer responsibility, the role in the local community and a new and growing social sustainability financing programme.

Kommuninvest's finance offering allows essential welfare investments to be made at less expense for taxpayers. This reinforces the welfare society with, for example, new or refurbished nursing homes, schools, homes and care facilities.

For Kommuninvest to be able to meet its stakeholders' expectations in the long term, it is crucial to have a sustainable organisation. 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.

Among other things, this entails striving for an organisation characterised by a strong culture and favourable working conditions, with healthy and motivated employees and managers and in which continuous learning is stimulated. It also entails fostering equality, diversity and development and being an inclusive (non-discriminatory) workplace. For several years, the Company has been working actively with the health concept Sustainable Daily Life, seeking to promote a healthy lifestyle, with a balance between work, leisure and parenting.

Local collaboration emphasising social responsibility

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. Our local collaboration programme focuses on education, culture and leadership – we seek partners with a pronounced social commitment and values matching ours.

A social financing market in Sweden

As a result of demographic changes, increased segregation and an increased number of socio-economically vulnerable areas, Swedish municipalities and regions are facing significant challenges. Considerable local differences in people's conditions and living conditions exist, with the challenges differing between different types of municipalities and regions.

To foster development towards increased social sustainability in Swedish municipalities and regions, Kommuninvest launched Social Sustainability Loans in 2021. This product makes it possible to finance socially oriented investments through loans, in a manner promoting improved governance, measurement of the effects and follow-up of the work. Social

Sustainability Loans can help strengthen local or regional sustainability work, show its benefit and facilitate the development of practices, collaboration and measurement of effects.

Developed infrastructure for sustainable investments

Kommuninvest seeks to participate in various ways in the development of market practices for financing social investments. Among other things, this is done within the framework of the standardisation work on measuring the effects of initiatives being conducted by the Swedish Standards Institute (SIS), to develop a shared terminology and harmonised approaches. The Company is also represented in a working group linked to the national initiative to coordinate Sweden's Agenda 2030 process. The working group's mission is to propose how incentives and structures for financing solutions could be developed to help accelerate change with a particular focus on social sustainability objectives.

Growth for Social Sustainability Loans

At the end of the year, 16 (7) Social Sustainability Loans applications had been approved, corresponding to a total of SEK 1.7 (0.6) billion in granted financing. The volume of disbursed loans increased to SEK 1.0 (0.2) billion. Applications that were granted funding during the year included a long-term investment in housing and accommodation environments in Karlshamn, Kungälv, Norrköping and Tanum; in increased accessibility in Norrköping; a dementia home in Varberg; as well as investments in schools and preschools in Kalmar, Kramfors and Ronneby.

Social Sustainability Loans seek to foster a culture of assessing effects in the local government sector and systematic social sustainability work on issues including knowledge building and development of methods. The experience gained from the initial years of the programme is that there is considerable potential here.

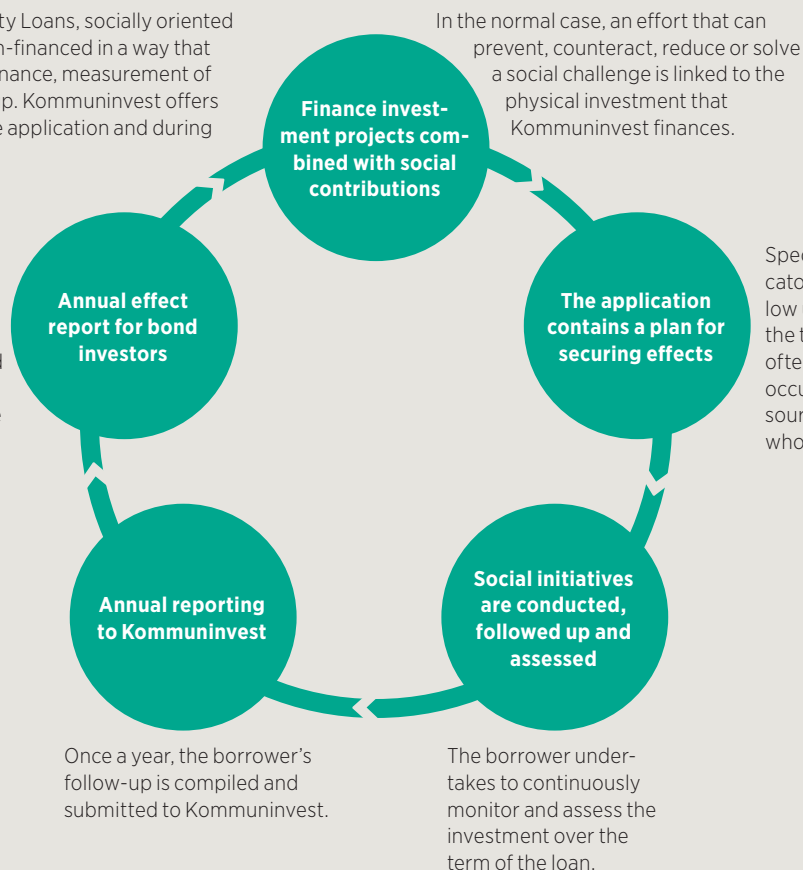
Social factors in the credit process

Within the framework of an ongoing process to integrate sustainability factors in lending and credit risk management (see the preceding section), the Company has also initiated an analysis of the risks associated with social factors and finance/governance.

Loan model to be able to measurably promote social sustainability

With Social Sustainability Loans, socially oriented investments can be loan-financed in a way that fosters improved governance, measurement of the effects and follow-up. Kommuninvest offers support both before the application and during the term of the loan.

The loan portfolio is intended to be financed through Social Bonds. An annual report describes how the bond funds were used and what social results were achieved.



Applications granted in 2022



Kalmar

New preschool and school in Hagby, for thriving rural communities.



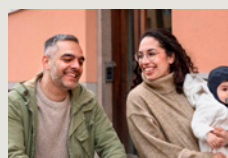
Karlshamnsbostäder

Action programme to raise the standard of a housing area developed in 1965–1975.



Kramfors

Combined, more appropriate and more attractive pre-school premises.



Kungälvbostäder

Providing housing for new arrivals by converting unused spaces.



Norrköping Klocket

Reduced crime and increased safety by investing in a central area.



Norrköping accessibility

Investments in the outdoor environment at Klockaretorget for increased safety and public health.



Ronneby

Major investment for higher educational quality and more equal educational environments.



Tanum

Extensive renovation with limited rent increases and in dialogue with the residents.



Varberg

Dementia accommodation designed to provide stability, security and stimulation and to enhance quality.

Governance/financial sustainability

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.

With regard to the governance/financial sustainability dimension, our work has a broad scope and essentially refers to:

- protecting Kommuninvest's ability to offer cost-efficient and stable financing of public investments knowledge products/advice to promote good financial management, governance in financial balance and sound financial management long-term analysis for sustainable municipal finances to conduct a responsible business, in line with the rules that apply and to live up to the demands and expectations that may be imposed on a leading actor.

Strategy for long-term member benefit

Kommuninvest has a long-term vision of being the world's best organisation for local government financial management. This should make it possible to live up to the task of financing the Swedish local and regional sectors' development and investing in a beneficial and sustainable society in the best possible way.

Against the background of an analysis of global trends, the Company's starting position and a vision for the future, three strategic areas have been identified that, combined with a motion study, form the basis of the Company's strategic business plan.

The three strategic areas that have been identified emphasise the importance of the Company being the local government sector's lender, that the Company must offer sustainable and efficient loan financing, and that the Company must have a simple and value-generating organisation.

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 colleges and universities.

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.

Good governance and sound debt management

Financial management is of great importance in being able to secure long-term sustainability in the local government sector's finances, which is particularly important given the challenges the local government sector faces as a result of demographic changes and an uncertain economic environment. Kommuninvest continuously adds new knowledge in this area, through continuous support in analysis and considerations. In 2022, a handbook in debt management for the local government sector was published, with recommendations on how debt management can be adapted to local conditions. During the year, a report was also published regarding the fast-growing trend of community property: "Owning or renting your business premises – important considerations for public actors".

Final report from the Welfare Economists

The expert group Welfare Economists was created by Kommuninvest in the summer of 2020 to strengthen the analysis of the local government economy during the Corona pandemic and based on its effects. The independent mission was to identify, analyse and present framework recommendations on some of the central and most complex issues associated with the pandemic and its aftermath. The group completed its assignment in the subsequent year after having, among other things, published five reports that have now been compiled at kommuninvest.se/valfardsekonomena.

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. The work builds 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. The 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.



Finansforum

AUGUSTI-OKTOBER 2022

www.kommuninvest.se

Finance forum – sustainability on the agenda

Kommuninvest's Finance Forum is an annual event that aims to update, disseminate knowledge and discuss issues of importance for the local government sector and the local government economy. In 2022, the event was arranged for the third consecutive year in a completely digital format. From the end of August to the middle of October, eight webinars were held on current themes. Customers, members and other interested parties were invited. The event had a positive impact. In total, more than 350 people participated in one of the webinars. Many also watched recordings of the webinars afterwards.

Sustainability-related issues had a prominent place on the agenda. This included a webinar about climate/environment with a focus on the EU taxonomy, and partly a socially oriented webinar on investing in integration. The latest in finance and governance was also discussed. Two new reports were presented: "Local Government Debt Management Handbook" and "Local Government Debt 2022". Other webinars addressed efficiency and a long-term view in a new interest rate environment, economic prospects in an uncertain situation and the development of the local government system.

- 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, CEO and personnel, as well as providing training in the area to enhance employees' knowledge and vigilance.

Sustainability indicators

Sustainable financing

	Unit	2022	2021	2020
Lending volume				
Total lending to municipalities, regions, municipal companies, etc.	SEK, million	470,675.8	460,650.3	445,788.8
Share of the sector's financing	%	59.3	57.9	57.6
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.038	0.048	0.045
Green Loans, volume outstanding, disbursed	SEK, million	66,428	60,209	52,478
Green Bonds, volume outstanding	SEK, million	63,330	54,626	43,636
Green Loans, proportion	%	14%	13%	12%
Social Sustainability Loans, volume outstanding, granted (volume disbursed)	SEK, million	1,746 (1001)	614 (207)	463 (157)

Environmental indicators – Kommuninvest Group

	Unit	2022	2021	2020
Energy consumption				
Total energy consumption (in buildings) ¹	kWh	536,811	561,117	518,793
– of which, electricity	kWh	248,268	325,657	334,963
– of which, heating	kWh	216,381	235,460	183,830
– of which, cooling	kWh	72,244	–	–
– of which, solar power	kWh	–5,586	–	–
Total CO ₂ impact of energy consumption (in buildings)	Tonnes	95	119	119
– of which, electricity consumption ²	Tonnes	78	103	106
– of which, from heating ³	Tonnes	19	16	13
– of which, solar power	Tonnes	–2	–	–
Proportion of renewable energy in energy consumption of electricity	%	100	100	100
Change in electricity consumption compared to the preceding year	%	–24	–3	–13
Proportion of renewable energy in energy consumption for heating	%	100	100	100
Proportion of renewable energy in energy consumption for cooling	%	100	–	–
Total office space	m ²	2,217	2,217	2,217
Total energy consumption per square metre	kWh/m ²	242	253	234
Total energy consumption per employee	kWh	5,478	5,611	5,037
Resource usage				
Purchased office paper	Tonnes	0.3	0.1	0.4
– of which sustainability labelled paper (PEFC)	Tonnes	0.1	0.1	0.3
Proportion of sustainability labelled office paper, of total purchases	%	33	100	84
Total paper consumption per employee	Kg	2.7	1.1	3.8
Paper recycling, incl. purchased and delivered paper	Tonnes	2.1	2.0	1.6
CO ₂ emissions avoided through recycling ⁴	Tonnes	3.7	2.3	2.3
Business travel				
Total business travel ⁵	Km	494,654	77,515	228,922
Total business travel per employee	Km	5,047	775	2,223
Total air travel	Km	275,250	14,899	90,363
Rail travel in Sweden	Km	203,382	44,504	120,241
Total CO ₂ emissions from business travel	Tonnes	61	5	43
CO ₂ emissions from business travel, per employee ⁶	Tonnes	0.62	0.05	0.42
Total climate footprint				
Total climate footprint of the operations ⁷	Tonnes	156	124	162
Total climate footprint per employee, CO ₂ e	Tonnes	1.6	1.2	1.6

1) Gross solar production: 5,668 kWh (reading 13 Jan 2023) of which 5,586 kWh was used for the building's own energy consumption, while 81.6 kWh was delivered to the grid.

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

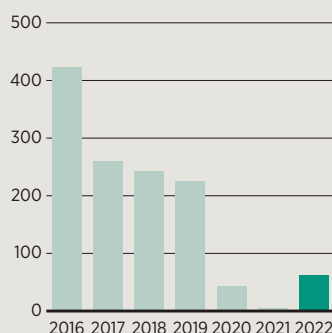
3) Climate impact from heating calculated with the latest available emission factor for district heating in the Municipality of Örebro in 2022, 131 g CO₂e/kWh, in accordance with the principles for effect reporting.

4) The emissions avoided through recycling over the year break down between 679 kg of plastics, 2,147 kg of paper, 174 kg of iron, 6 kg of hazardous waste and 473 kg of 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.

5) Figure from 2021 is corrected from 76,865 to 77,515 due to an incorrect reading in 2021.

6) Values are adjusted for high altitude factor.

7) Including CO₂

CO₂ 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 constitutes a significant part of the Group's total climate impact. Following very limited travel during the Corona pandemic, some normalisation occurred in 2022, although levels remain significantly lower than before the pandemic. The operations' total climate footprint amounted to 156 (124) tonnes of CO₂e, corresponding to 1.6 (1.2) tonnes of CO₂e per employee.

Generating financial value – Kommuninvest Group

	Unit	2022	2021	2020
Total revenue				
Interest revenues	SEK, million	4,914.0	998.3	1,743.1
Other operating income	SEK, million	12.0	10.4	10.8
Distributed value				
Interest expenses	SEK, million	-4,248.1	-317.5	-1,045.6
Commission expenses	SEK, million	-11.7	-11.4	-12.7
Salaries and emoluments	SEK, million	-78.1	-81.8	-76.6
Pension costs, training costs and other personnel costs	SEK, million	-25.9	-32.5	-27.6
Social security contributions and payroll tax on pension expenses	SEK, million	-27.3	-29.0	-26.8
Resolution fee	SEK, million	-25.0	-23.0	-20.9
Other operating expenses	SEK, million	-105.9	-106.2	-107.7
Tax	SEK, million	13.9	-0.1	-2.3
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	472.9	197.8	355.4
Efficiency				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.043	0.048	0.045

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

Employee statistics – Kommuninvest Group

	Unit	2022	2021	2020
Total number of employees, including those in part-time and probationary employment ¹	Number	105	118	116
Proportion of women/men – total	%	40/60	41/59	39/61
Proportion of women/men – all managers	%	36/64	38/62	35/65
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	98	100	103
Employment period <2 years (based on permanent employees)	%	17	17	15
Employment period 2–4 years	%	17	26	26
Employment period 5–9 years	%	33	27	32
Employment period >10 years	%	33	30	27
Personnel turnover	%	15	9	9
Participation in employee survey	%	96	89	94
Proportion of employees with university education	%	92	89	89
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	87	83	83

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 101 at the end of 2022.

Auditor's opinion regarding the statutory Sustainability Report

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

Engagement and responsibility

It is the Board of Directors that is responsible for the Sustainability Report for the year 2022 on pages 16–25 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

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

Opinion

A statutory Sustainability Report has been prepared.

Stockholm, February 16, 2023

KPMG AB

Anders Tagde
Authorised Public Accountant

Board of Directors' Report

- Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2021), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2021 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 52, 54 and 56 thereof.
- 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 16–25 of this document.

New strategy for the future

Kommuninvest's vision is to be the world's best organisation for local government financial management, with a new strategy having been adopted during the year. The strategy sets the course towards what the Company seeks to achieve over the next few years, on the journey towards its vision.

Focus of the operations

Kommuninvest must continue to offer products and services that meet the customers' needs for financing, support the sustainability work of municipalities and regions, and contribute to the entire sector's expertise in debt management. Identifying a strategy means defining a more efficient and accurate course than previously taken. Central elements of the focus are new strategic target areas describing who we should be, what we should offer and how we should act. The target areas are formulated to foster shared responsibility, with each area having clearly defined objectives. Realising the strategy will bring about long-term, cost-efficient operations. It will also demand major investments over the upcoming years.

Highlights of the year

- Use of the KI LÅNA digital loan process has increased through customer processing and a standardised product range
- The Local Government Debt Management Handbook (Sw. Handbok i skuldförvaltning för kommunsektorn) was launched during the year (see page 31)
- A certain increase in demand for Social Sustainability Loans through further development and customer processing of the product
- An RFI was announced regarding a new business system, with the work highlighting possible efficiency gains in core processes and the need to future-proof the operations' IT support
- The Company meets new regulatory requirements regarding initial safety margins
- The Company has replaced LIBOR with SOFR as the reference interest rate in USD

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.

Strategic areas

Who should we be?

THE LOCAL GOVERNMENT SECTOR'S LENDER

- By understanding the local government sector's long-term challenges, we contribute to sustainable municipalities and regions
- With our focus on loan financing, we shall be the entire local government sector's self-evident choice for financial management.
- Additional relevant external actors shall know of us and have confidence in how we work

What do we offer?

SUSTAINABLE AND EFFECTIVE LOAN FINANCING

- We must work to ensure that all customers eligible to receive a sustainable loan do so
- We shall safeguard cost-efficient loan financing for the local government sector
- We shall help ensure that all customers are able to securely and easily make their own short and long-term borrowing decisions

What is our approach?

A STRAIGHTFORWARD ORGANISATION THAT GENERATES VALUE

- We shall be a cooperation-oriented organisation focused on simplicity, generating value and an overarching perspective
- We shall be an attractive employer, focused on societal benefit and that invests in learning and expertise

Multi-year summary

Lending amounted nominally to SEK 482.5 billion at the end of 2022, having grown by 4.7 percent over the year. This should be compared with annual growth of 9 percent in 2017–2022. The Company's share of the local government

sector's external borrowing has increased from 50 percent to an estimated 59 percent over the same period. For multi-year data in table format, see page 7.

Lower investment volumes

Continued strong liquidity in municipalities and regions, combined with lower investment volumes, dampened the need for loan financing in 2022. Local government debt increased marginally to SEK 814 (799) billion. Kommuninvest has strengthened its position, with the Company financing 59 (58) percent of the local government sector's total borrowing.

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, drove up the local government sector's investments in 2010–2019. These investments encompass several areas of local government operations, including property, housing, water and sewerage, infrastructure and energy production. However, since the peak in 2019, investment volumes have fallen in both nominal and real terms, including in 2022. Kommuninvest's assessment is that investment volumes will remain high, albeit at a slightly lower level than in the late 2010s. Although the needs for maintenance and green realignment remain, downwardly revised population forecasts mean lower demographic pressure to expand welfare infrastructure.

High tax revenues, combined with increased central government allocations during the pandemic, resulted in strong cash flows in both 2021 and 2022. The self-financing rate for investment was high, meaning that local government sector borrowing needs were low in 2022. Kommuninvest's lending has continued to grow, however, and the Company's market

share at the end of 2022 amounted to 59 (58) percent.

Kommuninvest grew strongly after the financial crisis of 2007–2008 and has since continued to increase its market share. In 2017–2022, Kommuninvest's market share increased from 50 percent to 59 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 about ten municipal companies are currently active in the capital market. The issuance of local government bonds and commercial papers accounted for 29 percent of the local government sector's financing in 2022, a share that has been declining gradually over recent years.

Over the period 2017–2022, growth in the sector's borrowing averaged 6 percent. Over the same period, Kommuninvest's lending grew by an average 9 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 2022, nor the municipalities' and regions' own annual reports were available. Values and shares for 2021 have been adjusted in accordance with the municipalities' and regions' own Annual Reports.

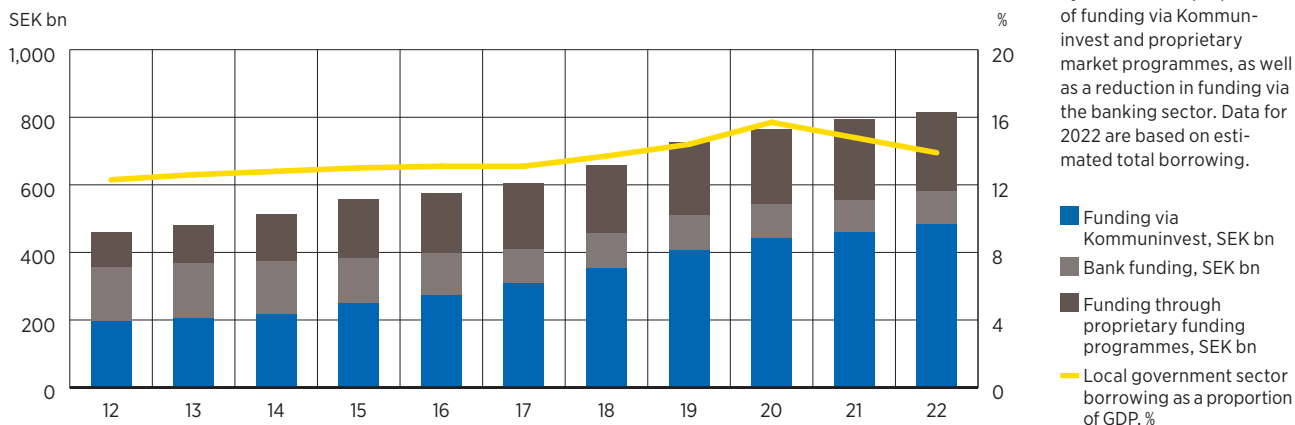
Forms of local government funding

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

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

The local government sector's borrowing and forms of financing

2012–2022



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 2022 are based on estimated total borrowing.

Loans that meet customers' needs

In nominal terms, Kommuninvest's lending grew to SEK 482.5 (460.7) billion over 2022. The higher nominal interest rate and good access to liquidity in the sector decreases the need for loan financing. The sector's borrowing is increasing nominally, although at a slower pace than in the preceding year. Kommuninvest's market share has increased to 59.3 (58.0) percent. At the end of 2022, Kommuninvest had a total of 1,027 (904) 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.

Strong market position

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 in 2022 amounted to 4.7 (4.0) percent. Three factors that continue to affect growth are 1) higher construction costs and market interest rates, leading to a lower investment rate, 2) higher interest rates that have increased the expense of alternative short-term assets and 3) a more challenging competitive situation relative to customers with their own market programmes. In 2022, the Riksbank continued to purchase securities, while in reality reducing its net holdings of securities. Divestments have mainly involved sovereign bonds, while holdings of local government bonds have increased. Kommuninvest's prices have therefore become less competitive compared with the prices at which local government issuers can borrow independently in the market. At the end of the year, Kommuninvest's lending amounted to SEK 482.5 (460.7) billion in nominal terms. Accepted offers amounted to 97 (98) percent. Of the agreed lending for the year, that is, new loans and renegotiations of existing loans, 86 (89) percent were loans with capital tied up for more than one year and 14 (11) percent with capital tied up for one year or less. Loans with capital tied up for one

to three years accounted for 34 (20) percent of volumes. At the end of 2022, Kommuninvest's lending portfolio consisted of 44 (47) percent loans with fixed interest and 56 (53) percent loans with variable interest rates.

Increased volumes of Green Loans

The volume of Green Loans granted increased over the year. At the end of 2022, SEK 99.9 (83.5) million in Green Loans had been granted. The corresponding amount for Green Loans disbursed was SEK 66.4 (60.2) billion. The proportion of Green Loans in relation to total lending is based on disbursed volumes and amounted to 14 (13) percent. More information about Green Loans can be found on pages 14–15 and on page 24.

Social Sustainability Loans

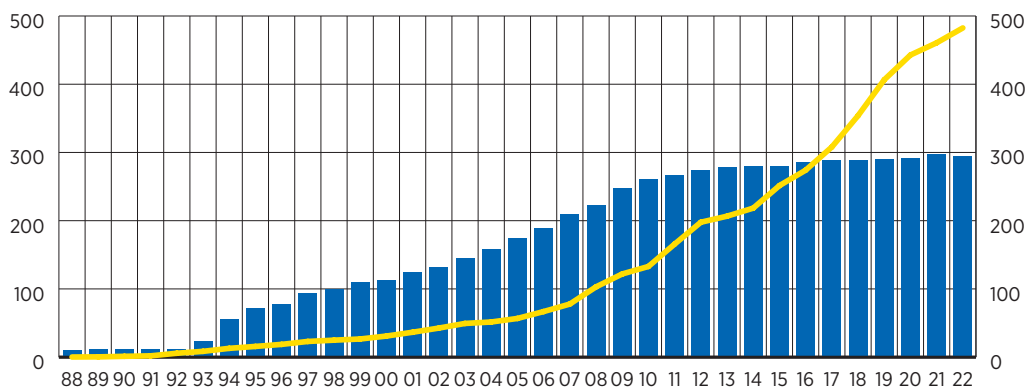
The volume of Social Sustainability Loans granted increased over the year. By the end of 2022, SEK 1.7 billion (0.6) in Social Sustainability Loans had been granted, distributed between 16 different projects (7). The corresponding amount for disbursed Social Sustainability Loans was SEK 1.0 (0.2) million. By the end of 2022, 14 (6) members had been granted a Social Sustainability Loan. More information about Social Sustainability Loans can be found on pages 20–21 and on page 24.

Number of members and lending volume

1988–2022

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



Local Government Debt Management Handbook



Over the year, Kommuninvest continued to build out the support offered to customers/members in making financial decisions. An important addition was the “Local Government Debt Management Handbook” presented in late September.

The purpose of the handbook is to use data, analysis and concrete examples to seek to assist municipalities and regions in the assessments that must be made to conduct balanced debt management. Put simply, debt management is about managing your borrowing and associated risks.

At Kommuninvest, an insight has emerged, with input from the local government sector in particular, that materials are needed offering a clear and unified approach to debt management as a whole. With the recent rapid rise in interest rates, the issues surrounding debt management have also gained increased relevance. For many municipalities and regions, it is now essential to ensure that the risks in their debt portfolios are managed properly.

According to the handbook, the common thread in debt management involves systematically weighing expense against risk. A good starting point for municipalities and regions is to determine their interest rate sensitivity. How much can increased interest expenses be allowed to affect net profit in a stressed market?

Those who are sensitive in this regard, should build a low risk debt portfolio. This is achieved by focusing on longer maturities and fixed interest rates. Much like when buying insurance, this leads to a higher basic interest cost. But it also means that rapidly rising market interest rates only make their way through the debt portfolio slowly in a period of stress. If you are less sensitive, you can choose to accept a higher risk. The focus is then on shorter maturities and variable interest rates instead. That results in a lower basic interest expense. Were market interest rates to rise quickly though, they would quickly have an impact on the debt portfolio.

A key conclusion in the handbook is that a relatively simple debt management arrangement works well for many municipalities and regions. It does not necessarily have to be complicated. Central keys to success are maintaining a long-term perspective, making and updating a basic analysis and setting clear guidelines for the work with the debt portfolio.

Kommuninvest’s aim is for the handbook to provide a starting point rather than an end point. The process once begun should be continued. Applying the basics of the handbook, a continued process should involve supplementary and in-depth analyses. Advice on these and related issues should be developed step by step. All of this must be based on the conditions and needs of customers/members. A basic premise for the support in financial decisions thus developed is that it should be relevant and of practical use.

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 bonds issued by Kommuninvest being favourable. The members' joint and several guarantee makes Kommuninvest a safe placement option for investors. At the end of the year, total funding amounted to SEK 547.5 (506.7) billion in nominal terms.

New funding by currency*

2022 (2021)

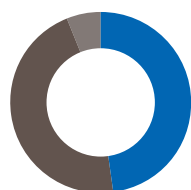


■ SEK 50 (59) %
■ USD 46 (36) %
■ EUR 4 (-) %
■ JPY – (5) %
■ AUD – (0) %

* excl. commercial paper funding

New funding by programme*

2022 (2021)



■ Swedish Benchmark Programme 48 (51) %
■ Benchmark funding, other currencies 46 (29) %
■ Green Bonds 6 (15) %
■ Uridashi – (5) %

* excl. commercial paper funding

Liquidity strategy

Kommuninvest's strategy builds on maintaining a presence in strategic funding markets, matching assets and liabilities, a highly liquid reserve, and correct pricing of liquid assets. The three strategic funding markets are denominated in SEK, USD and EUR. Funding is agreed to replace loans that mature, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to current market conditions and liquidity preparedness requirements.

During the year, market conditions have been marked by geopolitical unrest and rising interest rates due to rising inflation. The Company's liquidity strategy has worked well. Access to liquidity has been good and the Company has been able to finance its customers' funding needs on favourable terms despite challenging market conditions.

Focus on benchmark funding

Over the year, funding of SEK 142.6 (119.9) billion was raised in bonds with maturities of more than one year, of which SEK 68.5 (64.7) billion was issued within the Swedish Benchmark Programme. Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 66.0 (47.1) billion. Previously issued funding of SEK 10.3 (9.4) billion was repurchased and SEK 177.6 (168.4) billion matured.

The Company's largest funding programme in terms of volumes outstanding is the Swedish Benchmark Programme. Within the programme, bonds outstanding are increased by means of weekly auctions. During the period, six benchmark funding programmes in USD were also implemented.

Kommuninvest continued, as planned, to issue Green Bonds, which are mainly acquired by investors seeking to support environmentally oriented investments. Funding through Green Bonds finances green investment projects by Kommuninvest's customers and members. In March, Kommuninvest raised EUR 500 million through a Green Bond. This was the first loan in the EUR market since Kommuninvest's 2019 decision to establish a third strategic funding market.

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 can be met, even in periods of stress in the financial markets, Kommuninvest maintains a liquidity reserve. The reserve consists of short-term investments with high credit ratings. Good liquidity contingencies were maintained during the year. At year-end, the reserve amounted to SEK 62.1 (53.6) billion, equivalent to 13 (12) 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.

Focusing on effective and prudent asset management

In 2022, 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 lenders¹. At the end of 2022, 97 (93) percent of the reserve was invested in securities with the highest possible creditworthiness. Also, 89 (69) 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

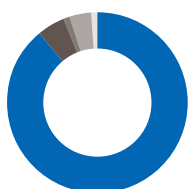
- The liquidity reserve may have a maximum average maturity of 12 months
- The maximum maturity of individual investments is 39 months.

For further information, see the Risk and capital management section on pages 37–41 or Kommuninvest's website, www.kommuninvest.se.

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

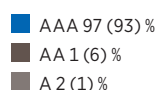
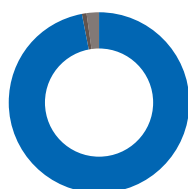
Liquidity reserve distributed by country

2022 (2021)



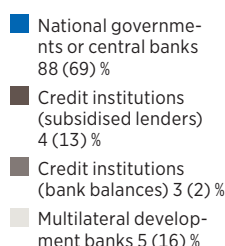
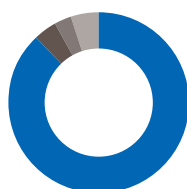
Liquidity reserve distributed by rating category

2022 (2021)



Liquidity reserve distributed by issuer category

2022 (2021)



Change in times of external turbulence

The external turbulence has affected most of us in different ways. Stability becomes even more important when everyday life is pervaded by uncertainty to a greater extent. The pace of change and the need for transparency and immediate feedback impose considerable demands on actors in society, as well as on Kommuninvest. To foster security combined with compliance may be one of the most important tasks required of an organisation, demanding clear management and control with a high degree of participation and influence.

The external turbulence has impacted the Company in both major and minor ways. While society is readjusting post-Covid, other issues have surfaced and gained importance. The ongoing war in Europe, the volatility of the markets, increased expenses, interest rate hikes and high inflation affect both the Company and its employees in different ways. Bringing clarity with a high degree of transparency and good communication is essential in building a stable organisation.

During the year, the organisation revisited the Company's strategic orientation and overall targets and prioritised principal projects that will shape the work going forward. The purpose is to further enhance customer benefit, while meeting new regulatory requirements, as well as expectations from members and other actors. In the area of sustainability, for example, opportunities exist to create new benefits for customers and members. The improved process surrounding the Company's operational governance will be further refined in 2023 to establish conditions for greater clarity and enhanced product and target-based management.

Strategic competence supply

The restructuring work pervading 2022 brought certain changes in organisation and staffing. To generate efficiency gains, some standardisation has been performed, with various tasks being clustered while others have been removed entirely. The changes have been elaborated applying the principles of simplicity, comprehensiveness and customer benefit. The work ahead will entail establishing the new organisation, while also continuing work to streamline and simultaneously develop processes, flows and approaches. Work on systematic skills supply will be intensified in 2023, focusing on skills-based reassignments, skills plans and continuous improvement.

Employee survey 2022

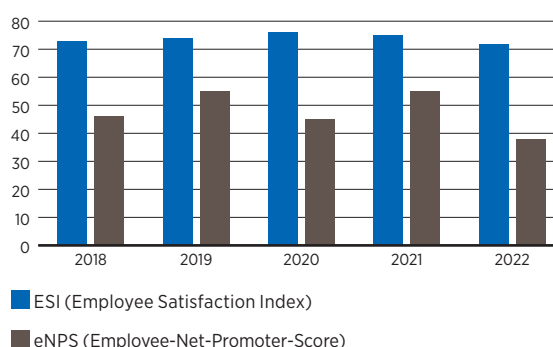
The 2022 employee survey gave an ESI (Employee Satisfaction Index) of 72 (75). The result was slightly lower than in the preceding year.

In the same survey, the ENPS (Employee-Net-Promoter-Score) decreased by 17 units, from 55 to 38, which, despite the decrease, is classified as a high value with a good 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



Financial position

At the end of 2022, equity in the Company amounted to SEK 10,168.7 (9,622.3) million, following Group contributions of SEK 14.6 (488.0) million paid to the Kommuninvest Cooperative Society. The total capital base was SEK 9,909.9 (9,399.2) million, which gave a total capital ratio of 454.1 (397.1) percent.

At the end of the period, Kommuninvest's total assets amounted to SEK 553,256.5 (524,261.7) million. Lending to municipalities and regions accounts for the bulk of the assets and amounted to SEK 470,675.9 (460,650.3) million at the end of the year.

Equity

As per 31 December 2022, equity amounted to SEK 10,168.7 (9,622.3) million. On the closing date, the share capital amounted to SEK 9,475.0 (8,975.0) million, divided between 94,750,000 (89,750,000) shares. The total share capital is attributable to the members of the Society and no shares are available for trade.

No distribution of surplus in 2023

Subject to a decision by its Annual General Meeting, the Society does not intend to distribute any surplus for the 2022 financial year. In the preceding year, a surplus of SEK 472.9 million was distributed. In the financial statements, the Company has paid a Group contribution of SEK 14.6 (488.0) million to the Society.

Capital adequacy and leverage

The Company is well capitalised to withstand the operations' risks, with capital relationships exceeding the prescribed minimum requirements in Pillar I, the capital base requirement in Pillar II, as well as the combined buffer requirement 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 9,909.9 (9,399.2) million, entailing a core Tier I capital ratio of 454.1 (397.1) percent. The Company's capital base consists solely of core Tier I capital and the total capital ratio also therefore amounts to 454.1 (397.1) percent. See further Note 3.

At the close of 2022, the Company had a leverage ratio of 14.23 (15.36) percent.

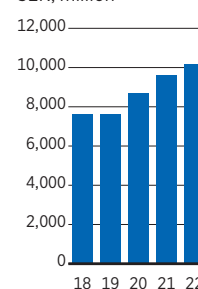
Rating

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody's. In December 2022, the rating agencies confirmed the Company's rating, with continued stable outlook. As the basis for their assessment, 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.

Kommuninvest also receives high so-called ESG ratings from a number of players, including ISS-oekom, MSCI and Sustainalytics. The results show that Kommuninvest belongs to the group of financial institutions whose operations are considered least exposed to sustainability risks.

Equity

SEK, million



Comments on the accounts

Pages 52, 54 and 56 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:

Net profit	-42,075,734
Profit or loss brought forward	699,833,041
Total	657,757,307

Be appropriated as follows:

To be carried forward	657,757,307
-----------------------	-------------

The current regulatory framework for capital requires Kommuninvest to always maintain a capital base equivalent to the Company's total risk-based capital base requirement and the Company's total capital requirement for the leverage ratio, whichever is higher. The total capital ratio amounted to 454.1 (397.1) percent, compared with the requirement, including buffer requirements and the leverage ratio requirement in particular, of 85.9 (85.3) percent. The leverage ratio amounts to 14.23 (15.36) percent, compared with the legal requirement of 3 percent introduced in June 2021.

Following the proposed appropriation of profit, the capital base amounts to SEK 9,909.9 (9,399.2) million. The risk-based capital base requirement amounts to SEK 174.6 (189.3) million and the capital base requirement for the leverage ratio amounts to 2,089.0 (1,836.4).

A specification of items can be found in Note 3, see section Capital adequacy. The Company has paid Group contributions to the Society of SEK 14.6 (488.0) million, with this being reported 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 13.

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 borrowing 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 2022

Geopolitical unrest and turbulence in the financial markets affected the Company's risk situation negatively in 2022. The conflict in Ukraine was a factor contributing to supply disruptions in the global economy that, over the year, led to sharply rising inflation.

The world's central banks, with the Swedish Riksbank among them, responded with sharply raised key interest rates. Combined with general market unrest, this has contributed to rising market interest rates on both short and long loan maturities.

These considerable increases in expenses are expected to impact Swedish municipalities and regions fully in 2023. This comes following record earnings for the local government sector in 2021, and forecasts of continued strong earnings in 2022.

Besides having contributed to increased inflation, the conflict in Ukraine has caused challenges in the area of information security, particularly in the form of an increased number of cyber attacks around the world. At the same time, sanctions against Russians and Russian organisations have increased reputational and legal risks among players in the financial markets.

Kommuninvest's limited risk appetite entailed a favourable resilience to the turbulence in the financial markets during 2022. During the year, efforts were initiated to ensure, for example, that the Company's net interest income not be affected negatively by fierce interest rate fluctuations.

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 Ownership Directive states that the Company

shall have a low level of risk taking, with risks only being accepted to fulfil the mission as the local government debt office. 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 approved 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 Company's risk declaration, which is part of the Board of Directors' risk policy. The risk declaration is divided into four areas of limitation (pillars): capital, 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 policy is part of the Company's risk framework, which encompasses the Board of Directors' fundamental instruments of operational governance and good internal 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

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. 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' capital contributions. 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.

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 costs 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 costs, 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 indivi-

dual 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 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 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, Compliance and the Internal Audit. Risk and Control and Compliance form the Company's second line of defence, while the Internal Audit is the Company's third line of defence. The three different lines of defence are visualised in the organisational chart on page 39.

Risk and Control

The Risk and Control department exercises risk control and monitors the Company's financial and operational risks. The Board of Directors receives regular updates on risk control issues. The function is separate from the business operations and reports to the CEO. The department is headed by the CRO, who is appointed by the CEO who also reports the appointment to the Board of Directors.

The department is 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 Management and the Board of Directors when making decisions on risk policy, risk appetites and risk appetite indicators.

Office support

The Company's compliance function is an independent control and support function and reports to the CEO. The head of the compliance function is appointed by the CEO and reports on compliance matters to both the CEO and the Board of Directors. Among other things, the compliance function is responsible for monitoring and controlling regulatory compliance within the licensed operations, as well as providing advice and support to the operations and the executive management on matters regarding legislation and other regulations applicable to the licensed operations.

Internal Audit

The Company's Internal Audit, which is outsourced to an external party, is an independent review function that reports to the Board of Directors. The Internal Audit is responsible for evaluating risk management, the Company's control and governance processes and for the operations being conducted in accordance with the Company's internal regulations. The Internal Auditor reports to the Board of Directors and the CEO on an ongoing basis. Each year, the Board of Directors establishes a plan for the work of the Internal Audit. The CEO reports to the Board on measures implemented as a consequence of the Internal Audit's reviews.

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

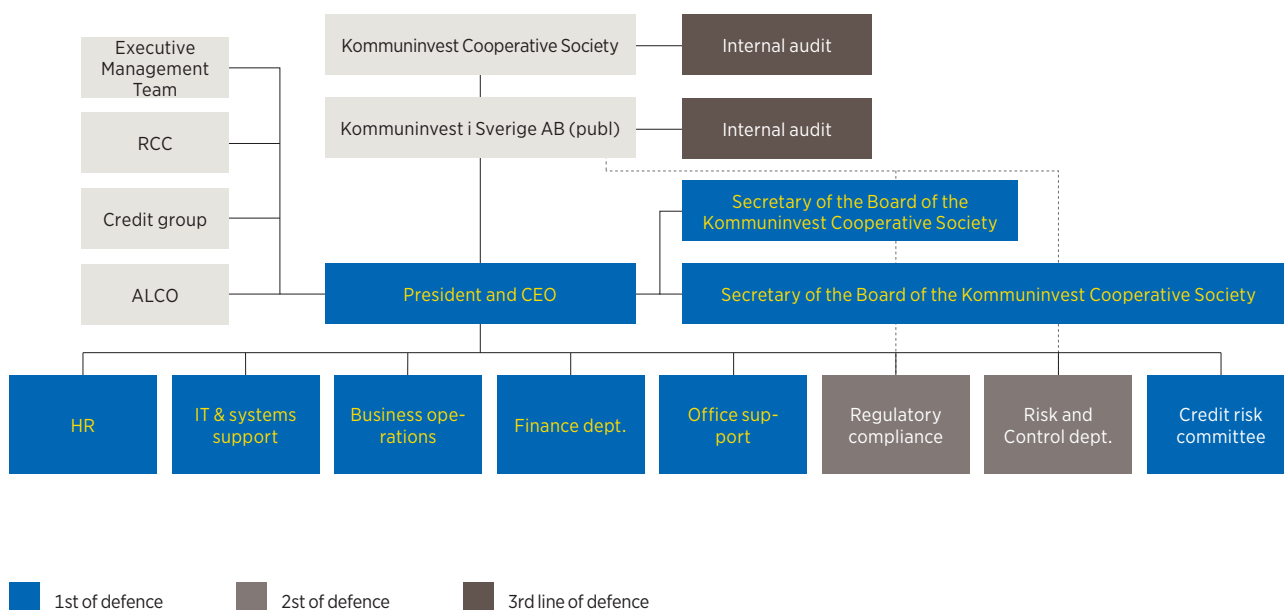
(financial position, strategic targets, legal requirements, risk exposure, etc.), as well as on anticipated market conditions. Risk appetite indicators may be determined by the Board of Directors, the CEO, the CRO and/or others responsible (referred to as "risk owners") and constitute the various limits 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. The risk categories 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.

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).

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 package. 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, capital requirements and leverage ratio guidance figures, 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.

On 24 September 2021, Finansinspektionen announced its decision regarding the risk-based Pillar II requirements and Pillar II guidance that are applicable to the Company and that are based on Finansinspektionen's review and evaluation process, see Note 9. According to Finansinspektionen's decision, the Company does not need to hold capital for Pillar II guidance.

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. The Annual General Meeting of the Society in April 2020 approved a new capitalisation plan for Kommuninvest in 2021–2024. 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. The 2024 Annual General Meeting of the Society is to determine the focus of capitalisation plan for 2025–2028.

Capitalisation 2022

Over the year, the Society's members increased the participation capital in the Society by SEK 608 million. In October, the Society acquired shares in the Company for SEK 600 million, at a premium of 120 percent. Consequently, the share capital in the Company increased by SEK 500 million and unrestricted equity increased by SEK 100 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 on request. As per the end of the year, the internal capital assessment shows that the Company meets all regulatory capital requirements, as well as 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 can be deducted from the exposure measure applied in calculating the leverage ratio of the Company.

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

Kommuninvest's risk management in brief

PILLAR	RISK CATEGORY	RISK DEFINITION
EQUITY	Strategic capital risk	The risk of inappropriate operational planning and the Company's role in its capital planning.
	Credit market risk	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	Issuer risk	The risk that the issuer of a security fails to repay its full undertaking on maturity.
	Counterparty risk	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.
	Other price risks	The risk that a change in the pricing situation of underlying assets, such as shares, share indexes or raw materials indexes, will affect values of assets and liabilities negatively.
	Interest rate risk	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.
	Foreign exchange risk	The risk of a negative effect on the Company's income as a result of exchange rate fluctuations.
LIQUIDITY	Liquidity risk	The risk of not meeting a payment commitment on the due date.
	Structural liquidity risk	The risk of the Company not having financed its long-term commitments in advance.
	Local government debt office liquidity risk	The risk of having to disapprove financing to a member.
CONFIDENCE	Operational risks – 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.
	Stakeholder risk	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.
	Sustainability risk	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.
	Risk in credit provision	The risk that a credit counterparty is unable to meet its obligations.
	Compliance risk	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.
	Strategic risk	Strategic risk is the long-term risk of losses due to erroneous or misguided strategic choices and business decisions, incorrect implementation of decisions or inadequate sensitivity to changes in society, regulatory systems or the financial sector.

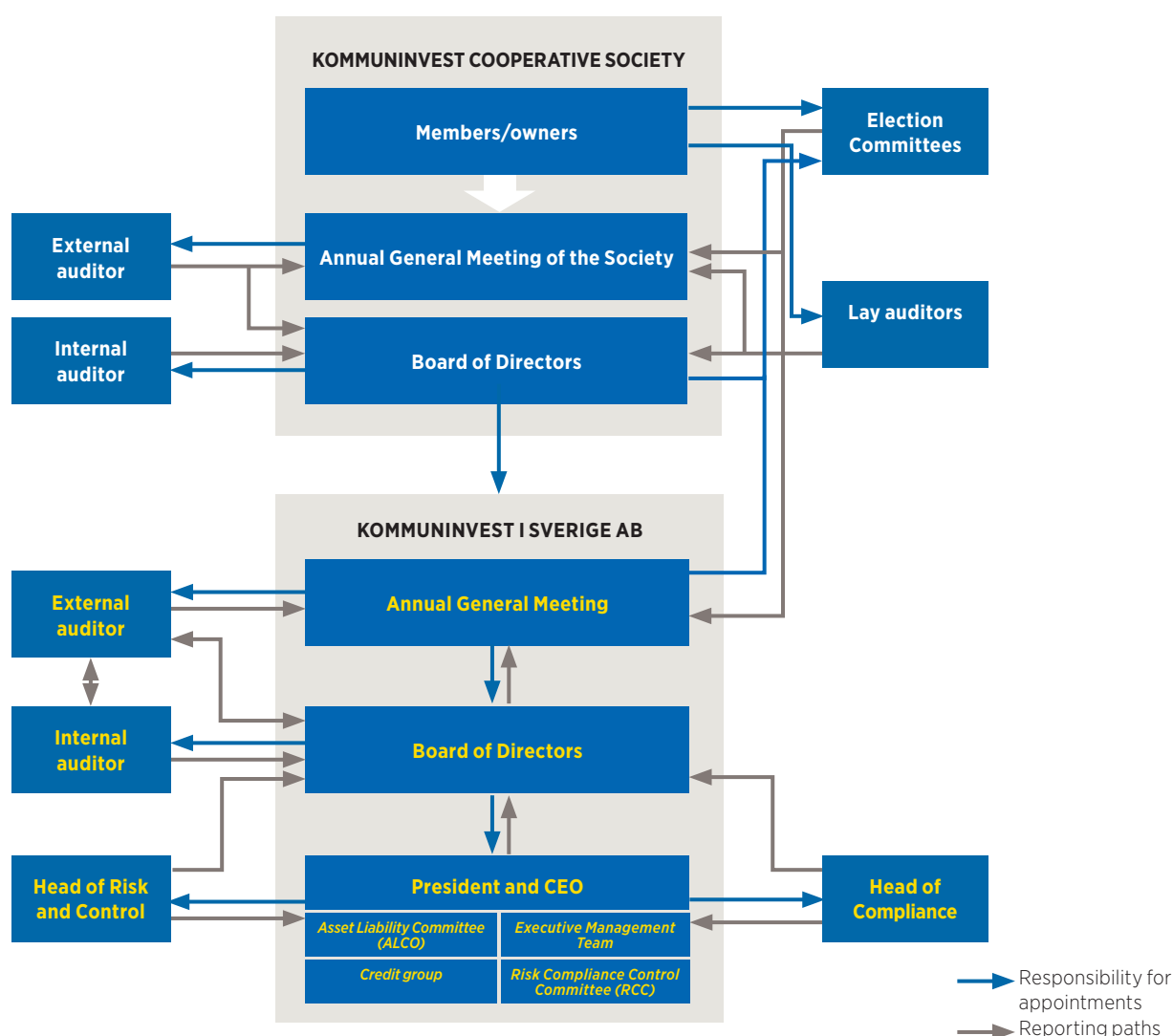
Focus on governance and control

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 are not traded on a regulated market in Sweden and it is not bound by the Swedish Code of Corporate Governance. In the Company's assessment, the principles for the governance of companies owned by municipalities and regions, prepared by the local government sector, should not be applied given 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, 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 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 consist of 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, each member has one vote.

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

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

More information about Kommuninvest's corporate governance

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

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

the market and should consist solely of fixed wages. Accordingly, no variable remunerations are paid. Wages are set taking into consideration the tasks involved and their degree of difficulty, responsibilities, educational requirements and how the employee fulfils the demands imposed and contributes to improvements in operations.

Audit Committee

Within the Company, the tasks of an Audit Committee are performed by the full Board of Directors. In 2022, the Audit Committee met on four occasions. The matters covered included a risk control of the 2021 annual accounts and 2022 interim accounts, including the external auditors' audit report, the reports presented by the Internal Audit, the 2023 annual plan for the Internal Audit, and the operations plan and budget for 2023.

Shareholders and Annual General Meeting

The Society owns all of the shares in the Company and exerts its influence at the Annual General Meeting. In direct connection with the Annual General Meeting of the Society on 31 March 2022, the Annual General Meeting of the Company was held in Gothenburg, with an option for remote attendance.

The Annual General Meeting of the Company approved the 2021 Annual Report proposed by the Board of Directors and the President, and discharged the members of the Board of Directors and the President from responsibility. Furthermore, the Annual General Meeting approved the distribution of earnings proposed by the Board of Directors and the President.

All ordinary members were re-elected at the Annual General Meeting. No one from the Executive Management Team of the Company sits on the Board of Directors.

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

- Adoption of Ownership Directives.
- Determination of a formal work plan for the Nomination 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 Fastigheter AB. The Election Committee bears the ultimate responsibility for the preparation of appointment decisions through a structured and transparent process allowing the shareholder to give its views on proposals and to submit its own propo-

Election Committee of the companies owned by the Society 2022/2023

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 Staffanstorps

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

sals 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.

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 including a reporting policy that states 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 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 2022, 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 representative Mattias Bokenblom and Kristin Ekblad. The members are presented on pages 45–46.

Remunerations

For 2022, 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 2,580 (2,484) for 2022. 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 2022

In 2022, the Board of Directors held seven (seven) ordinary meetings, one (two) extraordinary meeting and one (one) inaugural meeting.

- Internal capital and liquidity assessment
- Risk framework
- Recovery plan
- Remuneration issues
- Updates of funding programmes
- Counterparty limits
- Employee survey
- Valuation principles
- Data security
- Operations planning
- Customer survey
- Combined Assurance
- Governance for sustainable financing programmes
- Recruitment of a new President and CEO
- Annual Report and interim reports

Board of Directors of Kommuninvest i Sverige AB



ELLEN BRAMNESS ARVIDSSON

Director, International coordination, Finans Norge

Born: 1964

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 State Secretary, Ministry of Finance.

Other assignments: Chairman of Norske Finansielle Referanser AS.



CATRINA INGELSTAM

Proprietary consulting operations Creatme AB

Born: 1961

Elected: Member since 2020.

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

Previous positions:

Acting CEO Svensk Handel Fondförsäkring 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 SkandiaBanken, Authorised Public Accountant EY, Board member (member of the Risk and Audit Committee) Sparbanken Sjuhärads 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 Sparbanken Rekarne AB, Board member Spiltan Fonder AB, Board member Regionernas Ömse-sidiga Försäkringsbolag (LÖF).



ERIK LANGBY

Consultant

Born: 1951

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, Chairman of NackaStrands-mässan AB.

Other assignments: CEO Jordnära Samhällsansvar AB, Board Member SALAR International AB, Board Member Atrium Ljungberg AB, Chairman of the Board AB SigtunaHem, Chairman of the Board Bostadsrätterna i Sverige Ekonomisk Förening, Chairman of the Board Tegelhätt AB, Chairman of the Municipal Council Municipality of Sigtuna.



MATS FILIPSSON

Consultant

Born: 1958

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.



ANETTE HENRIKSSON

CEO Locum AB, Head of Administration at The Property and Service Committee

Born: 1961

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, Deputy Board Member Långhult Media AB.

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

Name	Position of dependence	Attendance, Board meetings 2022	Remuneration 2022, SEK	Remuneration 2021, SEK
Ellen Bramness Arvidsson	Independent	9 (of 9)	600,000	600,000
Lars Heikensten	Independent	8 (of 9)	330,000	330,000
Erik Langby	Independent	9 (of 9)	330,000	330,000
Kristina Sundin Jonsson	Independent	9 (of 9)	330,000	330,000
Catrina Ingelstam	Independent	9 (of 9)	330,000	330,000
Mats Filipsson	Independent	9 (of 9)	330,000	233,750
Anette Henriksson	Independent	8 (of 9)	330,000	233,750
Mattias Bokenblom	Employee representative	9 (of 9)	Not remunerated	Not remunerated
Kristin Ekblad	Employee representative	1 (of 9)	Not remunerated	Not remunerated

Board of Directors of Kommuninvest i Sverige AB



LARS HEIKENSTEN
Chairman Fiscal Policy Council

Born: 1950

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 of the Board Trygg-Stiftelsen, Board Member Stiftelsen Skansen, Board Member Save the Children Sweden, Member Royal Swedish Academy of Engineering Sciences, Member Royal Swedish Academy of Sciences.



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

Born: 1967

Elected: Member since 2018.

Education: Bachelor in Business Administration, Umeå University.

Previous positions:

Authorised Public Accountant, Consultant KPMG AB, CFO Skelleftebostäder AB, expert 112 Committee, Västerbotten County Gender Equality delegate, Chairman of the Swedish Association of Municipal Directors 2015–2022.

Other assignments: Board Member Inera AB, Member Mistra Carbon Exit research programme, Board Member LTU Business AB, Board Member LTU Holding AB, expert Government Committee on Experimental Operations in Municipalities and Regions.



MATTIAS BOKENBLOM
Employee representative

Born: 1973

Elected: Member since 2019.

Education: Licentiate degree in economics, Örebro University.

Position at Kommuninvest: Senior Analyst



KRISTIN EKBLAD
Employee representative

Born: 1975

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 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). 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 2022, 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), David Ljung (Head of Communications) and Jimmy Leonborn (CRO).



**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.

Born: 1961.



**MARIA VIIMNE,
DEPUTY CEO**

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	2022	3,819,205	115,812		1,244,426	5,179,443
	2021	3,863,567	116,184	–	1,234,436	5,214,187
Maria Viimne	2022	2,218,871	141		722,611	2,941,623
	2021	2,222,580	–	–	711,619	2,934,199
Other Executive Management Team	2022	6,689,877	22,500	–	2,170,333	8,882,710
	2021	6,836,424	27,058	–	2,481,681	9,345,163
Employees who have a material impact on the Company's risk profile ¹	2022	9,948,632	3,228	–	2,500,636	12,452,496
	2021	20,315,639	52,703	–	5,116,425	25,484,767

¹ In addition to the Executive Management Team. This group comprises 15 (26) employees with the following positions: Head of Communications, Head of Lending and Advisory, Head of Debt Management, Head of Regulatory Compliance, Head of Accounting & Reporting, Debt Managers and Analysts from the Debt Management unit.

Board of Directors' report on internal control with regard to the financial operations

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

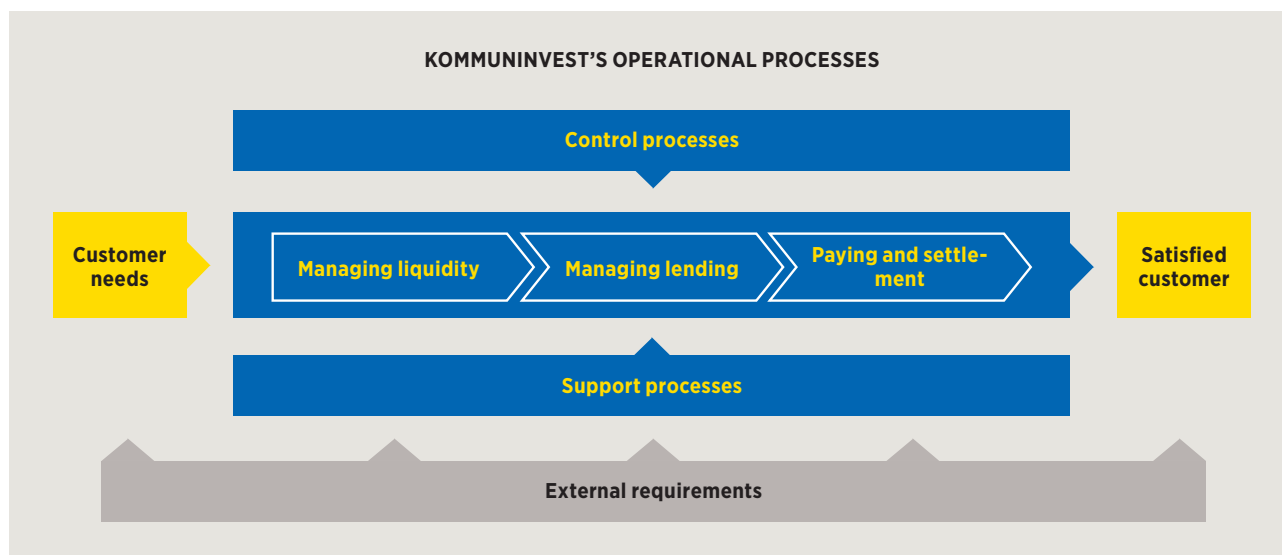
The Company conducts ongoing assessments of the risks that may arise in connection with the Company's operations. The valuation of the identified risks is based on an overall assessment of the probability of the risk occurring and the financial impact that the event may have on Kommuninvest. See more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



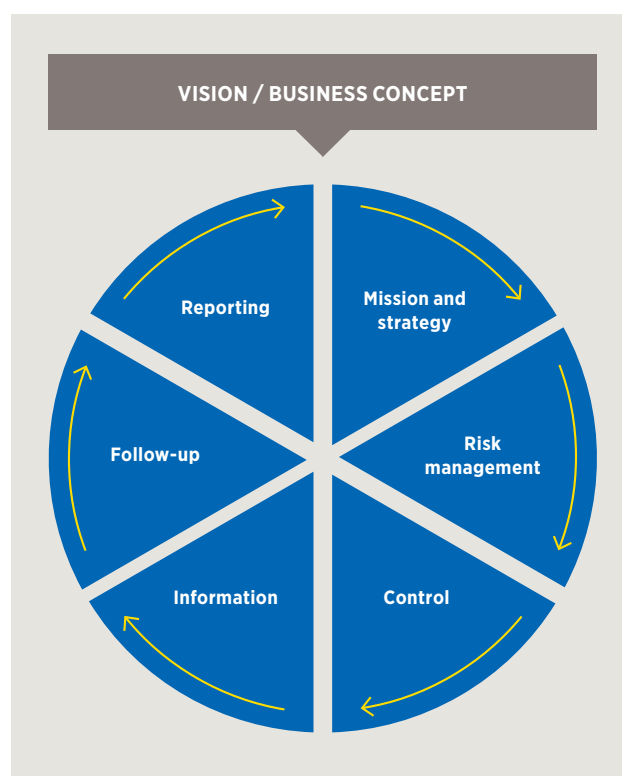
Checks are performed in the Company's first and second lines of defence. The work of the first two lines of defence is reviewed by the third line of defence, the Internal Audit.

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. These 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, which, at the behest of the Board of Directors, shall conduct an independent and objective review of the operations, as well as providing advisory services. The Internal Audit supports the Company in achieving its targets by systematically and in a structured manner assessing the effectiveness of risk management, internal governance and control, as well as the governance processes. The assessment also includes the routines of the first and second lines of defence.

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

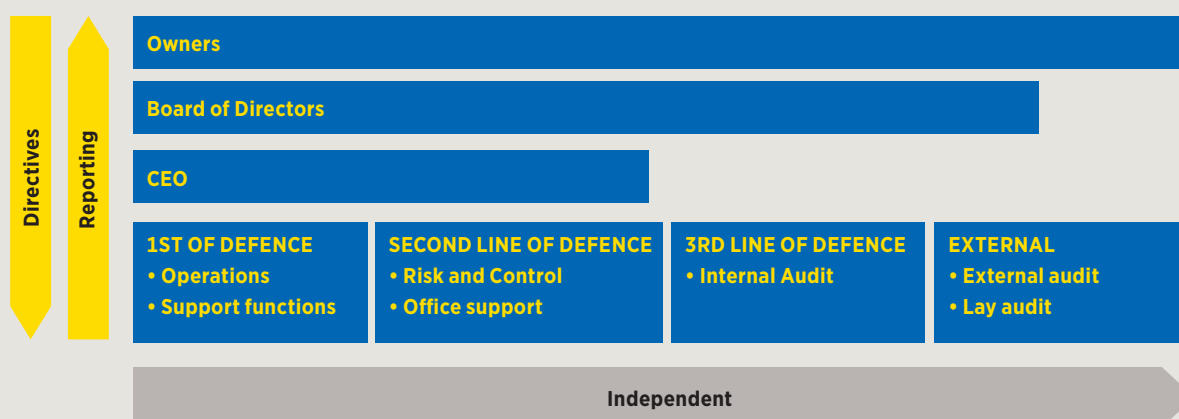
The Company has an internal website where policies, instructions and other governance documents are made available. The objective is for all governing documents to be updated at least once annually. The internal website also contains other important information concerning the operations, such as operational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

KOMMUNINVEST'S CONTROL ACTIVITIES



Financial statements

FINANCIAL STATEMENTS

Income statement.....	52
Statement of comprehensive income.....	52
Comments on the income statement	53
Balance sheet.....	54
Comments on the balance sheet.....	55
Statement of changes in equity.....	56
Comments on the statement of changes in equity	57
Cash flow statement	58

NOTES

Note 1 Information about Kommuninvest i Sverige AB.....	59
Note 2 Accounting principles.....	59
Note 3 Risk and capital management	63
Note 4 Net interest income.....	81
Note 5 Commission expenses.....	81
Note 6 Net result of financial transactions.....	81
Note 7 Other operating income	82
Note 8 General administration expenses.....	82
Note 9 Other operating expenses	84
Note 10 Net credit losses.....	84
Note 11 Fees imposed: risk tax and resolution fee	84
Note 12 Tax.....	84
Note 13 Proposed distribution of earnings.....	84
Note 14 Sovereign bonds eligible as collateral.....	84
Note 15 Lending	85
Note 16 Bonds and other interest-bearing securities	85
Note 17 Shares and participations in subsidiaries.....	85
Note 18 Derivatives and hedge accounting.....	86
Note 19 Intangible assets	88
Note 20 Tangible assets	88
Note 21 Other assets.....	88
Note 22 Other liabilities.....	88
Note 23 Provisions	88
Note 24 Pledged assets, contingent liabilities and commitments	88
Note 25 Related party relationships	89
Note 26 Financial assets and liabilities.....	89
Note 27 Information on financial assets and liabilities subject to netting	94
Note 28 Events after the balance sheet date.....	94
Five-year summary	95
Alternative performance measurements	96
Signatures	97
Audit Report	98

Income statement

1 January – 31 December

SEK, million	Note	2022	2021
Interest revenues calculated according to effective interest method		4,780.0	997.3
Other interest revenues		133.9	1.0
Interest expenses calculated according to effective interest method		-4,179.8	-275.3
Other interest expenses		-68.3	-42.2
NET INTEREST INCOME	4	665.8	680.8
Dividends received		1.8	2.1
Commission expenses	5	-11.7	-11.4
Net result of financial transactions	6	-208.8	47.6
<i>of which, derecognised assets valued at amortised cost</i>		0.2	2.5
Other operating income	7	11.9	10.2
TOTAL OPERATING INCOME		459.0	729.3
General administration expenses	8	-212.4	-247.8
Depreciation and impairment of intangible assets	19	-6.3	-6.4
Depreciation and impairment of material assets	20	-1.8	-2.5
Other operating expenses	9	-3.4	-2.8
TOTAL EXPENSES		-223.9	-259.5
PROFIT BEFORE CREDIT LOSSES		235.1	469.8
Net credit losses	10	-5.9	6.3
Fees imposed: Risk tax and resolution fee ¹	11	-282.3	-
OPERATING PROFIT		-53.1	476.1
Tax	12	11.0	-100.5
NET PROFIT	13	-42.1	375.6

Statement of comprehensive income

1 January – 31 December

SEK, million	Note	2022	2021
NET PROFIT		-42.1	375.6
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		-42.1	375.6

1) From 31 December 2022, the resolution fee is booked on the same legal line as the recently introduced risk tax. In previous years, the resolution fee has been booked under Other general administration expenses. For additional information, see Note 11.

Comments on the income statement

Net interest income

Net interest income for 2022 amounted to SEK 665.8 (680.8) million and was thus about SEK 15 million lower than for the preceding year. Over the year, earnings were strongly affected by higher policy rates and rising market interest rates, and both interest income and interest expenses were at a significantly higher level than previously. The outcome for the full-year was nonetheless in line with the Company's forecasts. Expenses for ratings, the Swedish Benchmark Programme and other fees associated with funding burdened net interest income by SEK 42.2 million (39.7). 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 a negative SEK 208.8 (47.6) million. The result is mainly explained by unrealised changes in market value of a negative SEK 209.5 (43.9) million.

Most shifts in unrealised changes in market value are explained by the cost of funding in USD being relatively more favourable than the cost of funding in SEK.

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 revenue for the Company's services within K1 Finans increased by SEK 1.0 million to SEK 9.7 (8.7) million.

Expenses

Expenses totalled SEK 223.9 (259.5) million, including the resolution fee of SEK - (23.0) million. The resolution fee for 2022 is reported on a separate line in the Income Statement, together with the new risk tax for certain credit institutions, which burdened the Company's net profit for the first time. Excluding the resolution fee, expenses amounted to SEK 223.9 (236.5) million, of which payroll expenses accounted for SEK 126.0 (137.4) million and other expenses for SEK 97.9 (99.1) million.

Payroll expenses decreased by SEK 11.4 million compared with the preceding year. The Company performed an organisational review over the year, resulting in reduced expenses both for employees and contract personnel.

Other operating expenses decreased by SEK 1.2 million compared with the preceding year. Expenses for temporary/contract personnel decreased by SEK 4.1 million to SEK 13.9 (18.0) million, with the Company having chosen to recruit certain

expertise, mainly in systems development and project management. With restrictions in society having eased compared with the preceding year, travel expenses increased by SEK 1.3 million. Travel expenses are, however, at a much lower level than they were before the pandemic.

The Company's decision to no longer issue bonds in the Japanese Uridashi market has reduced market data expenses by about SEK 0.9 million. Depreciation decreased by SEK 0.8 million to SEK 8.1 (8.9) million. The high inflation rate has resulted in higher general expense increases than normal, which explains the remaining increase in other operating expenses of SEK 3.3 million between 2022 and 2021.

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 2022 has been set by the Swedish National Debt Office at SEK 25.0 (23.0) million.

The Company's wholly-owned subsidiary, Kommuninvest Fastighets AB, provided a Group contribution of SEK 1.8 (2.1) million in 2022. 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 loss, its loss before tax, amounted to SEK 53.1 (476.1) million. For the first time, Kommuninvest's net profit was burdened by the new risk tax on certain credit institutions. The risk tax amounted to SEK 257.3 million for 2022.

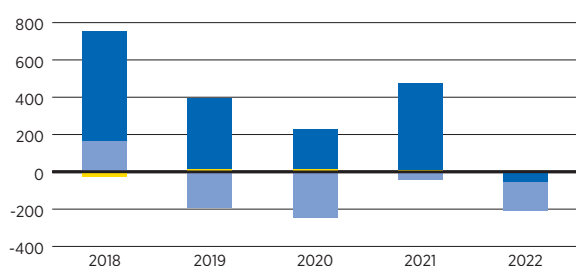
Operating profit also includes unrealised negative changes in market value of SEK 209.5 (43.9) million and expected credit losses of SEK 5.9 (6.3) million.

Kommuninvest's operating income, defined as operating profit less risk tax, unrealised changes in market value and expected credit losses, amounted to SEK 419.6 (425.9) million. For further information, see Alternative performance measurements on page 96.

The loss after tax amounted to SEK 42.1 (375.6) million. The tax expense for the year, reported in the Income Statement, amounted to SEK 11.0 (100.5) million, of which SEK 14.0 million pertains to a deferred tax asset. For further information regarding recognised tax, see Note 12.

Operating profit/loss before tax

SEK, million

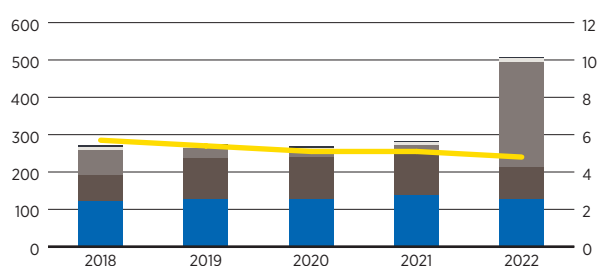


■ Operating profit/loss before tax
 ■ Portion of profit attributable to unrealised changes in market value
 ■ Portion of profit attributable to credit losses, net

Distribution of expenses

SEK, million

Basis points



■ Payroll expenses
 ■ Other administration expenses
 ■ Resolution fee/Risk tax
 ■ Depreciation and impairment of tangible and intangible assets
 ■ Other operating expenses
 — Management expenses, excl. Resolution fee/Risk tax, in percentage points of lending

Balance sheet

As per 31 December

SEK, million	Note	2022	2021
ASSETS			
Cash and balances with central banks	3	26,217.2	7,672.5
Sovereign bonds eligible as collateral	3.14	30,689.7	30,724.1
Lending to credit institutions	3	1,763.4	1,334.7
Lending	3.15	470,675.9	460,650.3
Bonds and other interest-bearing securities	3.16	6,752.3	15,529.8
Shares and participations in subsidiaries	17	42.0	42.0
Derivatives	3,18,27	16,353.0	5,729.3
Intangible assets	19	18.5	24.7
Tangible assets	20	4.4	6.0
Current tax assets	12	3.6	79.0
Other assets	21	685.7	2,428.0
Deferred tax assets	12	14.0	-
Prepaid expenses and accrued revenues		36.8	41.3
TOTAL ASSETS		553,256.5	524,261.7
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities and provisions			
Liabilities to credit institutions	3	1,487.5	277.7
Securities issued	3	520,777.0	506,080.1
Derivatives	3,18,27	2,834.2	3,851.4
Change in value of interest-hedged item in portfolio hedging		2,886.3	381.8
Other liabilities	22	15,059.9	4,005.0
Accrued expenses and prepaid revenues		42.9	43.4
Provisions	23	0.0	0.0
Total liabilities and provisions		543,087.8	514,639.4
Equity			
Restricted equity			
Share capital		9,475.0	8,975.0
Development expenditure reserve		18.5	24.7
Statutory reserve		17.5	17.5
Unrestricted equity			
Unrestricted share premium reserve		255.0	155.0
Profit or loss brought forward		444.8	74.5
Net profit	13	-42.1	375.6
Total equity		10,168.7	9,622.3
TOTAL LIABILITIES, PROVISIONS AND EQUITY		553,256.5	524,261.7

Comments on the balance sheet

Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 553,256.5 (524,261.7) million. Lending to municipalities and regions, which accounts for most of the assets, amounted to a recognised value of SEK 470,675.9 (460,650.3) million. In nominal terms, lending amounted to SEK 482,459.1 (460,691.3) million. In nominal terms, the increase in lending for the year amounted to 4.7 (4.0) percent. Despite the considerable uncertainty generated by the war in Ukraine, rising interest rates and inflation, the Company achieved favourable growth. It can be observed, however, that Kommuninvest's customers are reviewing their liquidity management more carefully and that they are affected by the uncertainty prevalent in several areas. The underlying driving force for growth in Kommuninvest's lending, local government sector investment needs, is not deemed to have diminished.

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, increased to SEK 65,422.6 (55,261.1) million. Pledged assets for derivative liabilities, which are included under the item Other assets, decreased to SEK 676.5 (2,414.4) million. For more information on other assets, see Note 21.

Derivative assets (derivatives with positive market value) increased to SEK 16,353.0 (5,729.3) million. Derivative assets increased because the SEK weakened further 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.

Liabilities and equity

The Company's liabilities amounted to SEK 543,087.8 (514,639.4) million and funding increased to SEK 522,264.5 (506,357.8) million over the year. Derivative liabilities (derivatives with negative market value) amounted to SEK 2,834.2 (3,851.4) million.

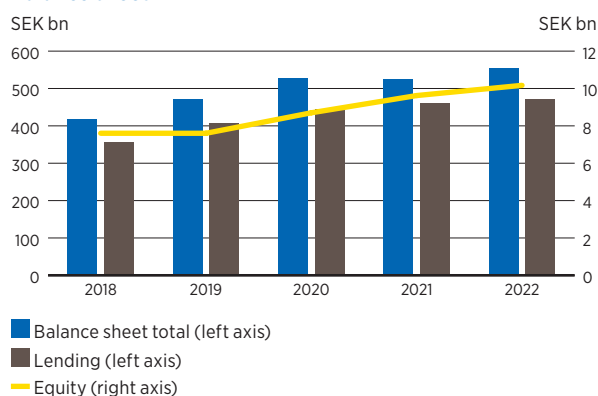
The balance sheet item Other liabilities amounted to SEK 15,059.9 (4,005.0) million. Other liabilities include collateral received for derivative liabilities of SEK 14,738.7 (3,503.3) million. Further information on other liabilities can be found in Note 22.

Collateral pledged and received for derivatives cleared by central clearing counterparties is netted per counterparty and currency in the balance sheet, see further under Note 27. There being no right to offset cash collateral pledged and received for derivatives not cleared by a central clearing counterparty, this is reported gross in the Balance Sheet.

Equity

For information on equity, see the Statement of changes in equity on page 57.

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 ¹	Statutory reserve ²	Unrestricted share premium reserve	Profit or loss brought forward	Net profit	
Equity brought forward 1 Jan 2022	8,975.0	-	24.7	17.5	155.0	74.5	375.6	9,622.3
Net profit							-42.1	-42.1
Change in development expenditure reserve for the year			-6.2			6.2		-
Other comprehensive income								-
Total comprehensive income	-	-	-6.2	-	-	6.2	-42.1	-42.1
Transactions with shareholders								
Appropriation of surplus						375.6	-375.6	-
New share issue	500.0				100.0			600.0
Group contributions						-14.6		-14.6
Tax effect on Group contribution						3.0		3.0
Total transactions with shareholders	500.0	-	-	-	100.0	364.0	-375.6	588.4
Equity carried forward 31 Dec 2022	9,475.0	-	18.5	17.5	255.0	444.8	-42.1	10,168.7
Equity brought forward 1 Jan 2021	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								-
Total comprehensive income	-	-	-5.7	-	-	5.7	375.6	375.6
Transactions with shareholders								
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
Total transactions with shareholders	1,875.0	-1,100.0	-	-	155.0	-207.8	-179.7	542.5
Equity carried forward 31 Dec 2021	8,975.0	-	24.7	17.5	155.0	74.5	375.6	9,622.3

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

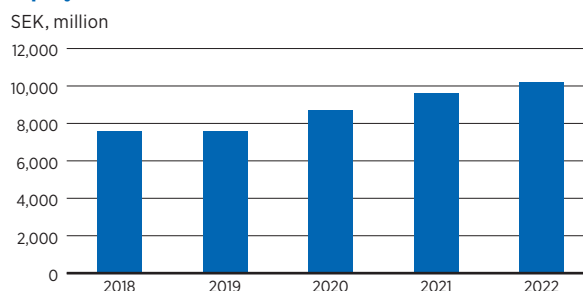
Equity

At the end of 2022, equity in the Company amounted to SEK 10,168.7 (9,622.3) million, following Group contributions of SEK 14.6 (488.0) million being paid to the Kommuninvest Cooperative Society.

At the end of the year, share capital amounted to SEK 9,475.0 (8,975.0) million, distributed between 94,750,000 (89,750,000) shares. The total share capital is attributable to the members of the Society and no shares are available for trade. 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 comprises a new share issue for SEK 500.0 million. In accordance with the Society's capital plan, the issue was implemented at a premium of 120 percent. This increases the unrestricted share premium reserve by SEK 100.0 (155.0) million.

Equity



Cash flow statement

1 January – 31 December

SEK, million	2022	2021
Operational activities		
Operating profit	-53.1	476.1
Adjustment for items not included in cash flow	224.5	-40.2
Income tax paid	75.4	-
	246.8	435.9
Change in liquidity portfolio	8,750.0	-4,443.7
Change in lending	-22,531.8	-17,824.3
Change in other assets	1,746.7	14,024.8
Change in other liabilities	11,527.8	3,408.5
Cash flow from operational activities	-260.5	-4,398.8
Investment activities		
Acquisitions of intangible assets	-	-0.4
Acquisitions of tangible assets	-0.3	-1.7
Cash flow from investment activities	-0.3	-2.1
Financing activities		
Issue of interest-bearing securities	208,652.7	173,761.3
Maturity and repurchases of interest-bearing securities	-189,529.5	-181,607.9
New share issue	600.0	930.0
Change in debt ratios within the Group	-488.0	-276.9
Cash flow from financing activities	19,235.2	-7,193.5
Cash flow for the year	18,974.4	-11,594.4
Cash and cash equivalents at start of the year	9,007.3	20,601.7
Cash and cash equivalents at end of the year	27,981.7	9,007.3
Cash and cash equivalents consists in their entirety of cash and balances with 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		
Depreciation	8.1	8.9
Exchange rate differences from change in financial assets	1.0	1.1
Unrealised changes in market value	209.5	-43.9
Net credit losses	5.9	-6.3
Total	224.5	-40.2
Interest paid and received, included in the cash flow		
Interest received ¹	3,346.1	1,163.3
Interest paid ²	-2,721.0	-561.8

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

	Opening balance	Cash flows	Currency exchange fluctuations	Fair value change	Group contributions	Closing balance
2022						
Funding, incl. derivatives	504,479.9	19,123.2	1.0	-14,858.4		508,745.7
Share capital and unrestricted share premium reserve	9,130.0	600.0				9,730.0
Inter-company liability	488.0	-488.0			14.6	14.6
Total	514,097.9	19,235.2	1.0	-14,858.4	14.6	518,490.3

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 2022 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 716453-2074.

The Annual Report was approved for publication by the Board of Directors on 14 February 2023. The income statement and balance sheet will be subject to ratification at the Annual General Meeting on 30 March 2023.

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 chosen not to prepare consolidated accounts.

The accounting principles are in line with those applied in the 2021 Annual Report, with the exception of amendments caused by new or amended IFRS standards coming into effect during 2022.

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 earnings. For further details, see Note 17. The Annual Report is prepared by the Parent Society, the Kommuninvest Cooperative Society, and will be published on 30 March 2023 at www.kommuninvest.se.

New and amended standards and interpretations

No new or amended laws, standards and interpretations introduced during the year have 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

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 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 26 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 26.

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

Note 2, continued

arising from the conversions are recognised in the income statement.

Subsidiaries

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

Interest revenues and interest expenses

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

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

Interest revenues and interest expenses on lending, interest-bearing securities, Liabilities to credit institutions and derivatives are calculated and reported by applying the effective interest method. Where applicable, interest revenue and interest expenses include periodised amounts of transaction expenses. Interest revenues consist of interest revenue from loans and investments, as well as interest revenues and interest expenses from derivatives hedging loans and investments.

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

- Unrealised changes in the fair value on assets and liabilities recognised at fair value through the income statement, divided between Held for trade, Compulsory or through application of the Fair value option.
- Unrealised changes in fair value on derivatives where hedge accounting of fair value is applied.
- Unrealised changes in fair value on hedged items with regard to hedged risk in hedging of fair value.
- Capital gain/loss from divestment of financial assets and liabilities.
- Exchange rate changes.

Financial instruments

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, issued securities, derivatives and other financial liabilities. For further information, see Note 26.

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 offset and recognised at a net amount in the balance sheet only where there is a legal right to offset the amounts and it is intended to adjust the items with a net amount or to at the same time capitalise the asset and adjust the liability. Derivatives cleared with a central clearing counterparty are reported net per counterparty and currency in the balance sheet. Acquisitions and sales of financial 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 2022, 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.

*Note 2, continued**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. This would result in accounting mismatches if the derivative were measured at fair value through the income statement but not the hedged item.

Financial liabilities in the category Fair value through the income statement refer primarily to funding at fixed interest and structured funding, that is, loans that are subject to cancellation and/or that have coupon payments that are variable, but not connected to the interbank rate.

The reason for fixed-rate funding being identified in this category is that such funding is hedged financially with a derivative without applying hedge accounting. 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 a hedging instruments, Kommuninvest uses interest rate swaps whose terms are in agreement with the hedged item. Both the change in value of the hedged item and the hedging instrument are recognised in the income statement under Net result of financial transactions.

Credit losses and 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

Note 2, continued

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. Gains/losses are recognised as other operating income/expenses.

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. The Company undertakes to pay a defined-premium pension insurance solution for the CEO corresponding to the level of the total salary in the current collective agreement. Others follow the ITP plan.

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 personnel expenses. Other expenses included in administrative expenses are 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 K1 Finans, which Kommuninvest provides to the members of the Kommuninvest Cooperative Society. The members who have chosen to use this service pay an annual fee to Kommuninvest, which is reported under other operating income.

Kommuninvest recognises revenue for K1 Finans during the contract period when the customer is entitled to access the service, meaning that revenue for the financial management service is allocated over the calendar year. Current expenses related to K1 Finans are expensed. For further information, see Note 7.

Other operating expenses

Other operating expenses primarily include expenses for marketing and insurance.

Fees imposed: Risk tax and resolution fee

In addition to the resolution fee, the risk tax, introduced as of 1 January 2022, is included in accordance with the Act on Risk Tax for Credit Institutions

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.

*Note 2, continued***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.

Tax

Tax on net profit 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 of income or more.

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 borrowing 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). 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.

Note 3, continued

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

Credit risk exposure	2022					2021				
	Recognised gross value	Expected credit losses	Recognised value ¹	Risk-weighted exposure value	Capital requirement	Recognised gross value	Expected credit losses	Recognised value ¹	Risk-weighted exposure value	Capital requirement
Credit provision										
Lending to municipalities and municipal companies ²	470,681.5	-5.7	470,675.9	-	-	460,651.4	-1.1	460,650.3	-	-
- Risk category 1	279,571.8	-3.1	279,568.7	-	-	273,078.0	-0.6	273,077.4	-	-
- Risk category 2	159,636.4	-2.0	159,634.4	-	-	162,382.6	-0.4	162,382.2	-	-
- Risk category 3	28,563.7	-0.5	28,563.2	-	-	22,219.3	-0.1	22,219.2	-	-
- Risk category 4	2,909.6	0.0	2,909.6	-	-	2,971.5	0.0	2,971.5	-	-
Investments										
Sovereign bonds eligible as collateral	30,690.2	-0.5	30,689.7	-	-	30,724.2	-0.1	30,724.1	-	-
- AAA	30,690.2	-0.5	30,689.7	-	-	30,724.2	-0.1	30,724.1	-	-
- AA	-	-	-	-	-	-	-	-	-	-
Cash and balances with central banks	26,217.6	-0.4	26,217.2	-	-	7,672.5	0.0	7,672.5	-	-
- AAA	26,217.6	-0.4	26,217.2	-	-	7,672.5	0.0	7,672.5	-	-
Bonds and other interest-bearing securities	6,752.4	-0.1	6,752.3	-	-	15,529.9	-0.1	15,529.8	-	-
- AAA	6,752.4	-0.1	6,752.3	-	-	13,307.7	-0.1	13,307.6	-	-
- AA	-	-	-	-	-	2,222.2	0.0	2,222.2	-	-
Lending to credit institutions	1,764.1	-0.7	1,763.4	352.6	28.2	1,334.8	-0.1	1,334.7	267.1	21.4
- AAA	1.8	-	1.8	-	-	-	-	-	-	-
- AA	839.9	-0.3	839.6	168.1	13.4	754.2	0.0	754.1	151.0	12.1
- A	922.4	-0.4	922.0	184.5	14.8	580.6	-0.1	580.6	116.1	9.3
Derivatives										
Derivatives ¹	16,353.0	-	16,353.0	-	-	5,729.3	-	5,729.3	-	-
- AA	4,890.9	-	4,890.9	-	-	1,801.8	-	1,801.8	-	-
- A	11,462.1	-	11,462.1	-	-	3,679.4	-	3,679.4	-	-
- BBB	-	-	-	-	-	248.1	-	248.1	-	-
Other assets										
Other assets	805.0	-	805.0	104.3	8.4	2,621.0	-	2,621.0	116.8	9.3
Off-balance sheet items										
Committed loans ²	549.2	-	549.2	-	-	239.1	-	239.1	-	-
Committed, undisbursed loans ²	-	-	-	-	-	278.7	-	278.7	-	-
Total (including off-balance sheet items)	553,813.0	-7.4	553,805.7	456.9	36.6	524,780.9	-1.4	524,779.5	383.9	30.7

1) The recognised value corresponds to the maximum credit risk exposure without taking collateral received or other forms of credit enhancement into account. For information on collateral received, see section Counterparty risk on page 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 is 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	
	2022	2021	2022	2021
GDP forecast	22%	28%	13%	8%
Unemployment	33%	24%	13%	14%
Stock market	12%	14%	37%	40%
Energy index	5%	5%	5%	5%
Non-energy index	5%	6%	5%	6%
Credit rating	23%	23%	27%	27%

Note 3, continued

Historical probability of default

S&P Rating	Non-financial companies and sovereigns		Financial companies	
	2022	2021	2022	2021
AAA	0.00100%	0.00165%	0.00910%	0.00943%
AA+	0.00179%	0.00286%	0.01370%	0.01419%
AA	0.00322%	0.00495%	0.02062%	0.02136%
AA-	0.00577%	0.00857%	0.03104%	0.03215%
A+	0.01036%	0.01483%	0.04671%	0.04839%
A	0.01859%	0.02566%	0.07029%	0.07282%
A-	0.03335%	0.04441%	0.10576%	0.10958%
BBB+	0.05983%	0.07685%	0.15910%	0.16485%
BBB	0.10730%	0.13296%	0.23929%	0.24794%
BBB-	0.19238%	0.22994%	0.35973%	0.37276%
BB+	0.34466%	0.39736%	0.54048%	0.56006%
BB	0.61676%	0.68586%	0.81131%	0.84068%
BB-	1.10128%	1.18132%	1.21617%	1.26012%
B+	1.95894%	2.02740%	1.81938%	1.88485%
B	3.46117%	3.45825%	2.71355%	2.81049%
B-	6.04436%	5.83874%	4.02914%	4.17138%
CCC-C	27.09571%	24.33623%	12.52354%	12.92792%

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	2022	2021	Change %
Positive scenario	10%	20%	-10%
Base scenario	60%	60%	0%
Negative scenario	30%	20%	10%

The data on which historical default figures are based have been collected from S&P Global Ratings and then calibrated for each individual scenario. The scenario involving a normal economic situation is based on observed values for the macro-economic factors included in the model, while the scenario involving a medium-low economic situation is based on a historically low percentile for the values for the macroeconomic factors and vice versa for the scenario involving a medium-high economic situation.

Macroeconomic factor

Historical input data	Scenario	2022
Historical change in credit rating (Sovereigns-Companies)	Principal scenario	60.71%
	Positive scenario	40.07%
	Negative scenario	81.36%
Historical change in credit rating (Financial)	Principal scenario	201.12%
	Positive scenario	135.85%
	Negative scenario	266.39%
Historical change in OMX index (-1Q)	Principal scenario	5.75%
	Positive scenario	9.45%
	Negative scenario	2.06%
Historical change in S&P 500 index (-1Q)	Principal scenario	-1.10%
	Positive scenario	2.00%
	Negative scenario	-4.19%

Forecast input data	Scenario	2023	2024
GDP trend Sweden	Principal scenario	-1.10%	1.30%
	Positive scenario	0.44%	2.84%
	Negative scenario	-2.64%	-0.24%
Change in unemployment Sweden	Principal scenario	9.46%	0.00%
	Positive scenario	0.79%	-8.67%
	Negative scenario	18.13%	8.67%
Change in global energy index	Principal scenario	-11.21%	-12.18%
	Positive scenario	4.67%	3.70%
	Negative scenario	-27.08%	-28.05%
Change in global non-energy index	Principal scenario	-8.08%	-0.62%
	Positive scenario	-0.52%	6.95%
	Negative scenario	-15.65%	-8.18%

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 analyses

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%)	-1.85
Unemployment (+10% +7.5% +8.25%)	-1.96
OMX (-10% -2.9% -12.9%)	-2.40
Energy index (-10% -2.2% -7.8%)	-0.21
Non-energy index (-10% -2.4% -12.4%)	-0.70
Credit rating, govt.-owned comps. (+10% -53.0% -43.0%)	-1.95
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%)	-0.22
Unemployment (+10% +7.5% +8.25%)	-0.24
S&P (-10% +3.3% -6.7%)	-0.43
Energy index (-10% -2.2% -7.8%)	-0.03
Non-energy index (-10% -2.4% -12.4%)	-0.09
Credit rating, govt.-owned comps. (+10% -53.0% -43.0%)	-0.22
Credit rating, fin. (+10% -191.4% -181.4%)	-0.01

Sensitivity to change in scenario weighting shown in table below.

Sensitivity analysis scenario weights	Effect, SEK million
More positive (P30 B60 N10)	2.51
More neutral (P20 B60 N20)	1.38
Pre-Covid (P5, B85, N10)	0.97

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 increased by SEK 6.0 million, from SEK 1.4 million to SEK 7.4 million. At the end of the preceding year, the Company's weighting was P20, B60 and N20. Had these weights been applied, the Company's ECL would have decreased by SEK 6.0 million.

In other regards, the Company has not made any expert adjustments based on current circumstances with high geopolitical uncertainty and a steep cost curve. The same model has been applied throughout 2022.

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.

Forward-looking PD	Non-financial companies and sovereigns		Financial companies	
S&P Rating	2022	2021	2022	2021
AAA	0.00479%	0.00058%	0.02283%	0.00383%
AA+	0.00794%	0.00106%	0.03300%	0.00600%
AA	0.01316%	0.00194%	0.04770%	0.00940%
AA-	0.02180%	0.00353%	0.06894%	0.01472%
A+	0.03612%	0.00643%	0.09963%	0.02305%
A	0.05984%	0.01173%	0.14395%	0.03610%

PD factor	Change contribution, %
Scenario weights	4.4%
Macro weights	-1.5%
GDP forecast	41.7%
Unemployment	10.1%
Share index	-1.2%
Energy index	1.8%
Non-energy index	1.7%
For Credit rating	46.7%
Historical probability of default	-3.7%
Total	100.0%

Changes in PD factor increased ECL by SEK 6.0 million, see the division into risk variables and change of model in the section Change in provisions for credit losses on page 68.

LGD	2022	2021
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						
	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Change of model	Closing balance
2022						
Cash and balances with central banks	0.1	-0.4	-0.1	-	-	-0.4
Sovereign bonds eligible as collateral	-0.1	-3.4	9.3	-6.3	-	-0.5
Lending to credit institutions	-0.2	-	-	-0.5	-	-0.7
Lending	-1.1	-0.1	0.3	-4.8	-	-5.7
Bonds and other interest-bearing securities	-0.1	-5.9	0.3	5.6	-	-0.1
Provisions for off-balance sheet items	0.0	0.1	-0.1	0.0	-	0.0
Total	-1.4	-9.7	9.7	-6.0	-	-7.4

Change in provisions for credit losses						
	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Change of model	Closing balance
2021						
Cash and balances with central banks	-0.7	-	0.8	-	-	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	-	-	0.1	-	-0.2
Lending	-5.9	-0.4	0.8	4.4	-	-1.1
Bonds and other interest-bearing securities	-	-6.5	-	5.8	0.6	-0.1
Provisions for off-balance sheet items	-	-0.3	0.4	-0.1	-	0.0
Total	-7.7	-16.5	18.4	3.3	1.1	-1.4

Changes in gross recognised value of provisions for credit losses				
	Opening balance	Initiated during the period	Maturing during the period	Closing balance
2022				
Cash and balances with central banks	7,672.5	26,217.2	-7,672.5	26,217.2
Sovereign bonds eligible as collateral	30,724.1	2,030,828.0	-2,030,862.4	30,689.7
Lending to credit institutions	1,334.7	14,765.4	-14,336.7	1,763.4
Lending	460,650.3	129,185.0	-119,159.4	470,675.9
Bonds and other interest-bearing securities	15,529.8	25,612.1	-34,389.6	6,752.3
Off-balance sheet items	357.1	129,724.0	-130,081.1	-
Total	516,268.5	2,356,331.7	-2,336,501.7	536,098.5

Changes in gross recognised value of provisions for credit losses				
	Opening balance	Initiated during the period	Maturing during the period	Closing balance
2021				
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	1,575,093.4	-1,569,568.5	30,724.1
Lending to credit institutions	1,290.2	68,728.7	-68,684.2	1,334.7
Lending	335,745.7	560,542.2	-435,637.6	460,650.3
Bonds and other interest-bearing securities	8,036.9	18,676.1	-11,183.2	15,529.8
Off-balance sheet items	1,691.5	74,473.0	-75,807.4	357.1
Total	390,895.4	2,305,185.9	-2,179,812.8	516,268.5

Risk in credit provision

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

Members and approved companies, foundations and associations are followed up continuously and assessed from a holistic perspective at the corporation level. The risk in the Company's lending operations is very low and the Company has never suffered any credit losses in its lending operations.

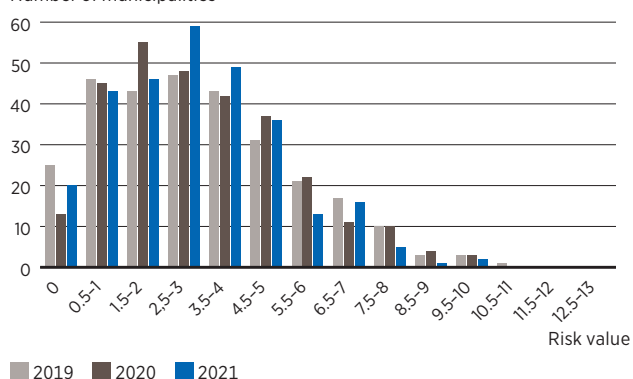
The municipalities and regions and the companies they own respectively are analysed when processing membership applications and on an ongoing basis during their membership. To obtain an overall view of a member's financial situation, a quantitative risk value analysis is performed. This assesses the income statement, balance sheet, demographics and risks in municipal operations.

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

Note 3, continued

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 or 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 3,414.3 (2,613.6) million.

Derivative exposure	2022	2021
Recognised value ¹	16,353.0	5,729.3
Amount netted in the balance sheet	15,861.0	4,521.8
Gross market value²	32,214.0	10,251.1
Netting gains	-17,966.8	-4,691.6
Current replacement cost³	14,247.2	5,559.5
Collateral received	-14,154.2	-5,443.1
Net per counterparty incl. deductions for collateral	93.0	116.4
Initial margin pledged	3,271.9	2,464.7
Surplus collateral pledged	49.4	32.5
Total counterparty risk	3,414.3	2,613.6

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	2022	2021
Current replacement cost ¹	14,247.2	5,559.5
Collateral received	6,650.7	5,663.9
Exposure value	20,897.9	11,223.4
Risk-weighted exposure value ²	0.0	0.0
Capital requirement	0.0	0.0

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

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

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 (Standard & Poor's) 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 0.5 (2.2) months.

The longest remaining maturity of an individual security was 19.7 (20.2) 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.

Note 3, continued

Investments by country	2022	2021
Sweden	56,908.7	38,396.6
Supranationals	4,459.3	8,757.8
Germany	2,293.0	6,134.6
Finland	839.6	1,391.6
United Kingdom	922.0	580.5
Total	65,422.6	55,261.1

Investments by rating	2022	2021
AAA	63,661.0	51,704.2
AA	839.6	2,976.4
A	922.0	580.5
Total	65,422.6	55,261.1

Investments by issuer category	2022	2021
National governments or central banks	56,908.7	38,396.6
Multilateral development banks	4,459.3	8,757.8
Credit institute	4,054.6	8,106.7
– of which, subsidised lenders	2,293.0	6,772.0
– of which, investment repos		
– of which, bank balances	1,761.7	1,334.7
Total	65,422.6	55,261.1

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 28.2 (21.4) 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 1" 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 1. When the calculations were performed as per 31 December 2022, the capital requirement under Pillar 2 for concentration risks in the liquidity reserve was 17.9 (16.6) percent of the capital requirement for credit risk under Pillar 1, that is to say, SEK 6.6 (5.1) 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					
2022	0–3 months	3 months –1 year	1–5 years	5–10 years	More than 10 years	Without interest	Total
Assets							
Cash and balances with central banks	26,217.6	–	–	–	–	–	26,217.6
Sovereign bonds eligible as collateral	30,106.0	600.0	–	–	–	–	30,706.0
Lending to credit institutions	1,763.4	–	–	–	–	–	1,763.4
Bonds and other interest-bearing securities	3,201.5	3,287.6	312.1	–	–	–	6,801.2
Lending	239,523.7	34,738.7	173,287.4	32,932.3	1,977.1	–	482,459.2
Derivative investments	3,779.7	–3,467.6	–312.1	–	–	–	0.0
Derivative lending	224,541.8	–16,690.0	–173,181.6	–32,934.8	–1,735.4	–	0.0
Other assets	676.5	–	–	–	–	128.5	805.0
Total assets	529,810.2	18,468.7	105.8	–2.5	241.7	128.5	548,752.4
Liabilities and equity							
Liabilities to credit institutions	1,672.0	–	–	–	–	–	1,672.0
Securities issued	36,392.2	115,845.2	351,478.3	43,756.0	250.0	–	547,721.7
Derivative funding	477,220.4	–97,329.5	–350,243.3	–43,756.0	–	–	–14,108.4
Other liabilities	14,738.7	–	–	–	–	3,250.4	17,989.1
Subordinated liabilities	–	–	–	–	–	–	–
Equity	–	–	–	–	–	10,168.7	10,168.7
Total liabilities and equity	530,023.3	18,515.8	1,235.0	0.0	250.0	13,419.1	563,443.1
Difference, assets and liabilities	–213.1	–47.1	–1,129.2	–2.5	–8.3	–13,290.6	–14,690.7

Periods of fixed interest		Nominal amount					
2021	0–3 months	3 months –1 year	1–5 years	5–10 years	More than 10 years	Without interest	Total
Assets							
Cash and balances with central 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
Total assets	503,289.2	11,112.0	2,641.0	173.0	248.8	1,019.3	518,483.3
Liabilities and equity							
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
Total liabilities and equity	494,308.1	8,767.7	1,327.0	0.0	250.0	10,549.2	515,202.0
Difference, assets and liabilities	8,981.1	2,344.3	1,314.0	173.0	–1.2	–9,529.9	3,281.4

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 SEK 16.5 (12.5) 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

Note 3, continued

taken into account, the result would change by SEK 224.6 (213.1) 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 100 basis points.

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 101.4 (80.7) million, provided that the size and composition of balance sheet does not change, and correspondingly, if all market interest rates were to fall by 100 basis points at year-end, net interest income would have decreased by SEK 101.4 (80.7) million over a one-year period.

Capital requirement for interest rate risk

The capital requirement for interest rate risk under Pillar 11 has been calculated based on the Swedish Financial Supervisory Authority's (Finansinspektionen) model for interest rate risk in the banking book. The model calculates the change in the value of the Company's net assets, given a number of change scenarios for the zero coupon curve.

The change scenarios consist partly of parallel displacements, upwards and downwards, where the magnitude of the

shift is based on historical market data and partly of four changes in the curve gradient, where the interest rate curve increases or decreases over short or long maturities. Under Pillar 11, a capital requirement for interest rate risk of SEK 81.4 (101.2) 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 is equivalent to SEK 10 million in USD and SEK 5 million in EUR.

Capital requirement for foreign exchange risk

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

The capital requirement under Pillar 11 is calculated by multiplying the exposure by the foreign exchange fluctuations over the year. In 2022, the SEK/EUR and SEK/USD exchange rates fluctuated by as much as 9 (7) percent per month. An exchange rate fluctuation of 9 (7) percent, with an exposure of SEK 5 million, would entail a capital requirement of SEK 0.4 (0.3) million per month. Accordingly, on an annual basis, this corresponds to a capital requirement of SEK 5.4 (4.1) million.

Assets and liabilities by currency		Recognised value						
2022	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
Cash and balances with central banks	26,217.2	-	-	-	-	-	-	26,217.2
Sovereign bonds eligible as collateral	30,691.4	-	-	-	-	-	-1.7	30,689.7
Lending to credit institutions	841.4	19.3	902.7	-	-	-	-	1,763.4
Bonds and other interest-bearing securities	2,104.1	-	4,716.5	-	-	-	-68.3	6,752.3
Lending	483,594.5	-	-	-	-	-	-12,918.6	470,675.9
Derivatives	-146,575.7	6,284.6	139,033.9	23.7	1,594.9	224.9	15,766.7	16,353.0
Other assets	234.3	-	570.7	-	-	-	-	805.0
Total assets	397,107.2	6,303.9	145,223.8	23.7	1,594.9	224.9	2,778.1	553,256.5
Liabilities and equity								
Liabilities to credit institutions	1,487.5	-	-	-	-	-	-	1,487.5
Securities issued	363,229.8	11,850.7	166,640.9	4,657.7	1,635.8	309.0	-27,546.9	520,777.0
Derivatives	11,643.4	-5,545.6	-26,233.5	-4,634.1	-40.9	-84.1	27,729.0	2,834.2
Other liabilities	10,288.1	-	4,814.6	-	-	-	2,886.4	17,989.1
Subordinated liabilities	-	-	-	-	-	-	-	-
Equity	10,459.1	-	-	-	-	-	-290.4	10,168.7
Total liabilities and equity	397,107.9	6,305.1	145,222.0	23.6	1,594.9	224.9	2,778.1	553,256.5
Difference, assets and liabilities	-0.7	-1.2	1.8	0.1	0.0	0.0	0.0	0.0
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency								
	-0.1	-0.1	0.2	0.0	0.0	0.0	0.0	0.0

Note 3, continued

Assets and liabilities by currency		Recognised value						
2021	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
Assets								
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
Total assets	405,634.9	61.6	112,658.2	406.4	1,815.5	1,986.0	1,699.1	524,261.7
Liabilities and equity								
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
Total liabilities and equity	405,635.2	60.8	112,658.8	406.4	1,815.5	1,985.9	1,699.1	524,261.7
Difference, assets and liabilities	-0.3	0.8	-0.6	0.1	0.0	0.1	0.0	-
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	-

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

Sensitivity to credit market risk	2022	2021
Investments, fair value option	-0.3	-1.2
Lending	-27.1	-19.5
Funding	24.3	22.4
Total	-3.1	1.7

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 8.6 (4.1) 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 basic swap movements are simulated using mathematical models, with a certain degree of probability, based on market data from various, selected periods of time.

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 2022, the total capital requirement for credit market risk amounted to SEK 1,609.6 (1,329.3) 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 55.4 (67.6) 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.

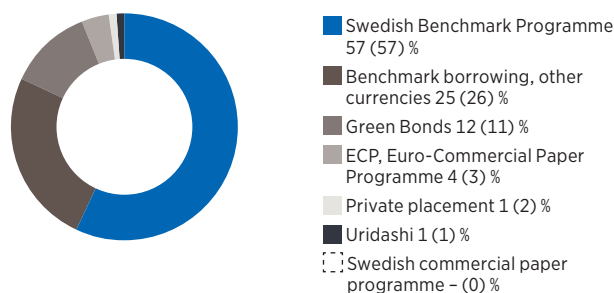
The Company's principal assignment is to act as a local government debt office and to ensure access to stable and efficient funding for the local government sector. The greatest risk that the Company will not be able to fulfil its assignment as a local government debt office is that the Company would 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

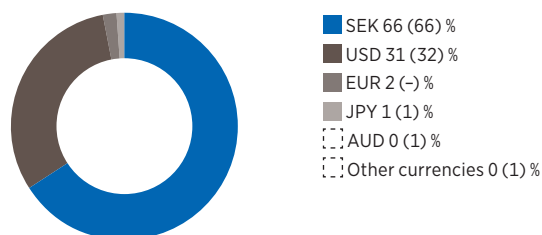
To ensure that funding activities provide the necessary conditions to cover lending and funding maturities, even under aggravated market conditions, the Company has access to liquid funding markets with broad investor bases. The Company's strategic funding markets are the Swedish Benchmark Programme and benchmark borrowing 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
2022 (2021)



Total funding by currency
2022 (2021)

**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 shareholders' 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 2.3 (2.4) 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 2.1 (2.4) years, with capital tied up in the Company's lending portfolio for an average 2.4 (2.7) years, and with capital tied up in the liquidity reserve for 0.0 (0.2) years.

Maturity analysis

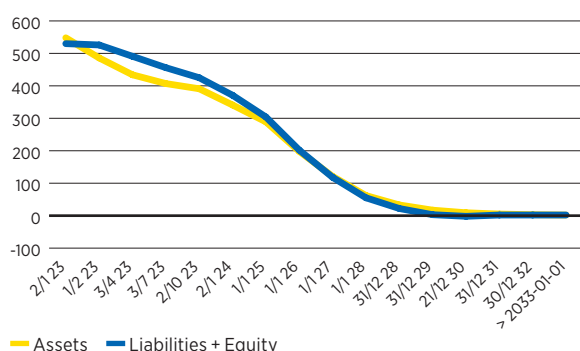
The maturity analysis below shows undiscounted cash flows, including amortisation and interest payments, based on the remaining agreed maturity dates. All flows are converted to Swedish kronor by applying a spot rate.

Note 3, continued

Maturity profile, balance sheet

31 Dec 2022

SEK bn

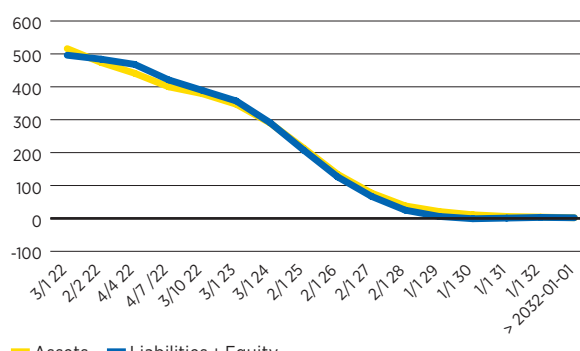


— Assets — Liabilities + Equity

Maturity profile, balance sheet

31 Dec 2021

SEK bn



— Assets — Liabilities + Equity

	Contractual, non-discounted cash flows						Total	Recognised value
2022	On demand	0–3 months	3 months–1 year	1–5 years	> 5 years	No maturity		
Assets								
Cash and balances with central bank	26,217.2	–	–	–	–	–	26,217.2	26,217.2
Sovereign bonds eligible as collateral	–	30,106.0	600.0	–	–	–	30,706.0	30,689.7
Lending to credit institutions	–	1,763.4	–	–	–	–	1,763.4	1,763.4
Bonds and other interest-bearing securities	–	3,242.3	3,312.7	324.5	–	–	6,879.5	6,752.3
Lending	–	55,527.4	89,973.1	315,789.8	46,962.5	–	508,252.8	470,675.9
Derivatives	–	1,885.8	12,641.3	21,816.0	992.1	–	37,335.2	16,353.0
Other assets	–	805.0	–	–	–	–	805.0	805.0
Total assets	26,217.2	93,329.9	106,527.1	337,930.3	47,954.6	–	611,959.1	553,256.5
Liabilities and equity								
Liabilities to credit institutions	–	1,487.5	–	–	–	–	1,487.5	1,487.5
Securities issued	–	39,485.4	120,518.9	361,787.7	44,935.8	–	566,727.8	520,777.0
Derivatives	–	1,430.8	9,755.8	15,497.4	15.8	–	26,699.8	2,834.2
Other liabilities	–	17,989.0	–	–	–	–	17,989.0	17,989.0
Subordinated liabilities	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	10,168.7	10,168.7	10,168.7
Total liabilities and equity	–	60,392.7	130,274.7	377,285.1	44,951.6	10,168.7	623,072.8	553,256.5
Total difference	26,217.2	32,937.2	–23,747.6	–39,354.8	3,003.0	–10,168.7	–11,113.7	0.0
Committed loans	0.0	–	–	–	–	–	0.0	–
Committed, undisbursed loans ¹	–	–479.2	12.9	522.1	–	–	55.8	–

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

FINANCIAL STATEMENTS

Note 3, continued

	Contractual, non-discounted cash flows							
2021	On demand	0-3 months	3 months-1 year	1-5 years	> 5 years	No maturity	Total	Recognised value
Assets								
Cash and balances with central bank	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
Total assets	7,672.5	72,192.8	88,507.8	323,984.5	46,934.9	-	539,292.5	524,261.7
Liabilities and equity								
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
Total liabilities and equity	-	34,707.9	106,716.9	349,700.0	35,124.2	9,622.3	535,871.3	524,261.7
Total difference	7,672.5	37,484.9	-18,209.1	-25,715.5	11,810.7	-9,622.3	3,421.2	0.0
Committed loans	239.1	-	-	-	-	-	239.1	-
Committed, undisbursed loans ¹	-	-251.7	-20.9	175.3	106.6	-	9.4	-

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

Liquidity reserve

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

The scale of the liquidity reserve is governed by the principle that a sufficient volume shall be maintained to meet the Company's liquidity needs even during periods of substantial unease in the financial markets. The Company's liquidity reserve shall also comprise assets of good credit quality that are easily traded or redeemed. Investments may only be made in liquid interest-bearing securities and bank balances with senior status in the event of insolvency. Investment may include implicit or explicit zero interest rate flooring but no other structures.

Liquidity measure

The liquidity coverage ratio (LCR) measures the ratio of highly liquid assets to net cash outflows over a 30-day period, in a stressed situation. Accordingly, 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 2022, was 398.3 (376.1) percent, 1,860.8 (67,315.5) percent in USD and 844.4 (675.0) 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. The Company has a limit set by the Board of Directors, requiring that the NSFR not fall below 110 percent. At year-end, the NSFR was 143.3 (142.9) percent.

Note 3, continued

Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations	2022			2021		
	Total	USD	SEK	Total	USD	SEK
Extremely highly liquid assets (Level 1), excluding covered bonds	60,459.5	314.6	57,186.6	52,218.1	946.1	43,674.3
Extremely highly liquid covered bonds (Level 1)	–	–	–	–	–	–
Highly liquid assets (Level 2)	–	–	–	–	–	–
Liquidity buffer, SEK million	60,459.5	314.6	57,186.6	52,218.1	946.1	43,674.3
Cash outflows, SEK million	–20,179.3	–67.6	–9,123.4	–15,530.3	–5.6	–7,920.1
Cash inflows, SEK million	5,001.0	971.8	2,351.3	1,646.0	4.2	1,450.0
Net cash outflow, SEK million	–15,178.3	–16.9	–6,772.1	–13,884.3	–1.4	–6,470.1
Liquidity coverage ratio (%)	398.3	1,860.8	844.4	376.1	67,313.5	675.0

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, 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.

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 82.6 (91.0) 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, 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 CEO and 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, 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 1.0 percent, applicable as of 29 September 2022.

Capital base	2022	2021
Capital Instruments ¹	9,475.0	8,975.0
Retained earnings	676.2	629.8
Accumulated other comprehensive income and other reserves	17.5	17.5
Core Tier I capital before regulatory adjustments	10,168.7	9,622.3
Further value adjustments	-236.6	-218.9
Latent tax	-13.9	-
Intangible assets	-8.3	-4.2
Total regulatory adjustments to core Tier I capital	-258.8	-223.1
Total core Tier I capital	9,909.9	9,399.2
Tier I capital contributions	-	-
Total Tier I capital	9,909.9	9,399.2
Total Tier II capital	-	-
Total capital	9,909.9	9,399.2

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

Note 3, continued

Risk exposure amounts and minimum capital amounts	2022			2021		
	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)	456.9	8%	36.6	383.9	8.0%	30.7
of which, institutional exposures	352.6	8%	28.2	267.1	8.0%	21.4
of which, corporate exposures	104.3	8%	8.4	116.8	8.0%	9.3
Operational risks, basic indicator method	692.6	8%	55.4	1,137.5	8.0%	91.0
Credit valuation adjustment	1,032.9	8%	82.6	845.3	8.0%	67.6
Total risk exposure amount and minimum capital amount	2,182.4	8.0%	174.6	2,366.7	8.0%	189.3

Capital adequacy ratios	2022	2021
Core Tier I capital ratio	454.1%	397.1%
Tier I capital ratio	454.1%	397.1%
Total capital ratio	454.1%	397.1%

Specific capital base requirements for risks other than insufficient leverage ratio ¹	2022		2021	
Additional capital base requirements, Common Equity Tier I capital	42.1%	918.1	42.1%	995.7
Additional capital base requirements, Tier I capital	14.0%	306.0	14.0%	331.8
Additional capital base requirements, Tier II capital	18.7%	408.1	18.7%	442.6
Total specific capital base requirements for risks other than insufficient leverage ratio	74.8%	1,632.2	74.8%	1,770.1

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	2022		2021	
Capital conservation buffer	2.5%	54.6	2.5%	59.2
Countercyclical buffer	0.6%	13.7	-	-
Systemic risk buffer	-	-	-	-
Total buffer requirements	3.1%	68.3	2.5%	59.2

Core Tier I capital available for use as buffer	371.3%	8,103.1	314.4%	7,439.8
--	---------------	----------------	---------------	----------------

Total risk-based capital base requirement	2022		2021	
Capital base requirement, Pillar I	8.0%	174.6	8.0%	189.3
Capital base requirement, Pillar II requirement ¹	74.8%	1,632.2	74.8%	1,770.1
Combined buffer requirement	3.1%	68.3	2.5%	59.2
Pillar II guidance ¹	-	-	-	-
Total assessed capital base requirement	85.9%	1,875.1	85.3%	2,018.6

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		
	2022	2021
Total assets	553,256.5	524,261.7
Less asset amounts deducted to determine the core Tier I capital	-258.8	-223.1
Adjustment for derivative instruments	-12,702.5	-2,176.8
Deduction in the form of exposure to members and their companies	-470,675.9	-460,650.3
Plus possible change in risk in connection with repo transactions	0.7	0.7
Total exposure	69,620.0	61,212.2
Tier 1 capital, calculated applying transitional rules	9,909.9	9,399.2
Leverage ratio	14.2%	15.4%

Leverage ratio, capital base requirements	2022		2021	
Capital base requirement, Pillar I	3.0%	2,089.0	3.0%	1,836.4
Capital base requirement, Pillar II requirement ¹	-	-	-	-
Pillar II guidance ¹	-	-	-	-
Total assessed capital base requirement	3.0%	2,089.0	3.0%	1,836.4

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 estimated 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 estimated capital requirements	2022	2021
Capital requirement, Pillar II		
Credit risk	48.3	31.6
Market risks	1,696.4	1,434.7
Capital planning buffer	764.3	1,006.0
Total internally assessed capital requirement (Pillar II), excluding the risk of insufficient leverage ratio	2,509.0	2,472.3
Internally assessed capital requirement for the risk of insufficient leverage ratio	1,032.1	934.0
Total internally assessed capital requirement (Pillar II)	3,541.1	3,406.3

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 2022 amounts to SEK 6,900 (6,700) million, corresponding to a 1.0 percent leverage ratio plus the Board of Directors' buffer of SEK 1,400 (1,000) million. In relation to the Company's capital base, which amounts to SEK 9,909.9 (9,399.2) 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.

Capital targets	2022	2021
Internally estimated capital requirements	3,900	4,000
Estimated capital requirement (for the Group) according to Finansinspektionen	5,500	5,700
Board of Directors' buffer	1,400	1,000
Capital targets	6,900	6,700

Liquidity¹

Liquidity Coverage Ratio (LCR)	2022	2021
Total high-quality liquid assets (HQLA) (weighted value)	83,408.5	70,061.2
Cash outflows – total weighted values	39,260.1	32,734.3
Cash inflows – total weighted values	11,680.9	9,494.8
Net cash outflows (adjusted value)	27,596.9	23,365.1
Liquidity coverage ratio, %	342.9	318.1
Net Stable Funding Ratio (NSFR)	2022	2021
Total available stable financing	419,521.3	412,542.7
Total need for stable financing	292,669.3	288,744.0
NSFR, %	143.3%	143.0%

1) Refers to average figures for the year

Reference interest rate reform

Kommuninvest is affected by the reference interest rate reform through exposure to USD LIBOR, STIBOR and EURIBOR where the most important reference rates for Kommuninvest are STIBOR and USD LIBOR with a term of 3 months.

LIBOR is the group of reference interest rates that, at present, have a timed settlement plan. On 31 December 2021, quotations for GBP LIBOR, CHF LIBOR, EUR LIBOR, JPY LIBOR and USD LIBOR 1W and 2M ceased. Other USD LIBOR quotations will cease after 30 June 2023.

During 2022, the Company safeguarded its capacity to manage the new reference rate, and has made derivatives in USD SOFR, Secured Overnight Financing Rate (SOFR), an interest rate that is based on actual transactions in the repo market, for a total nominal amount of SEK 133.5 billion.

Outstanding exposures with USD LIBOR as the reference rate and maturing after June 2023 will be converted over the period up until 30 June 2023. Changes of reference interest rate during the reference interest reform are to be conducted on the premise that the exchange must be economically neutral for each party. Outstanding exposures as of 31 December 2022 with reference to USD LIBOR 3M comprise only derivatives for a total nominal amount of SEK 177.0 billion.

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

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.

There were also outstanding exposures, to EURIBOR 3M, comprising solely of derivatives, with a total nominal amount of SEK 0.02 billion.

Outstanding exposures with reference to STIBOR 3M were at the end of the year derivatives for a nominal amount of SEK 779.6 billion and lending of SEK 221.0 billion.

Member responsibilities

Municipalities and region 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 regress agreement that details the members' mutual responsibility. The agreements clarify and replace the earlier responsibility according to the regress 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 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 2022 (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 2022, collateral received amounted to SEK 101.3 (400.8) million and may only be used to cover outstanding exposures. The corresponding collateral for the Company's liabilities relating to derivatives amounts to SEK 0.0 (0.0) million. These are disclosed in Note 27, but may not be reduced in the balance sheet.

	2022
Liabilities to credit institutions	1,487.5
Securities issued	520,777.0
Total funding	522,264.5

LIABILITIES, according to statement of undertaking

Loaned funding ¹	456,841.9
Funding not loaned ²	65,422.6
Total funding	522,264.5

Derivatives, connected with on-lent funding ¹	103.6
Other liabilities ²	17,989.0
Total liabilities/undertaking	18,092.6

ASSETS, according to statement of undertaking

Lending ¹ , see Note 15	470,675.9
Liquidity reserve ² , see Notes 3, 14, 16	65,422.6
Derivatives, connected with on-lent funding ¹	103.3
Other assets ²	805.0
Total assets	537,006.8

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

Interest revenues	2022	2021
Interest revenues according to effective interest method	4,780.0	997.3
<i>of which, lending</i>	4,272.7	1,003.3
<i>of which, interest-bearing securities</i>	507.3	-6.0
Other interest revenues	133.9	1.0
Total	4,913.9	998.3
Of which: interest revenues from financial items not measured at fair value through the income statement	3,604.1	716.7
Interest expenses		
Interest expenses according to effective interest method	-4,179.8	-275.3
<i>of which, liabilities to credit institutions</i>	-9.0	-22.0
<i>of which, securities issued</i>	-4,166.7	-247.3
<i>of which, lending, negative lending rate</i>	-4.1	-6.0
Other interest expenses	-68.3	-42.2
Total	-4,248.1	-317.5
Of which: interest expenses from financial items not measured at fair value through the income statement	-3,255.2	-344.5
Net interest income	665.8	680.8

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 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

	2022	2021
Payment agency commissions	8.1	8.1
Brokerage for securities	3.1	2.9
Other commissions	0.5	0.4
Total	11.7	11.4

Note 6 Net result of financial transactions

	2022	2021
Realised profit	1.7	4.8
<i>of which, interest-bearing securities</i>	-	-
<i>of which, other financial instruments</i>	1.7	4.8
Unrealised changes in market value	-209.5	43.9
Exchange rate changes	-1.0	-1.1
Total	-208.8	47.6

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	2022	2021
Financial assets at fair value through the income statement	-3,267.8	-730.6
<i>of which, compulsory</i>	-49.6	-180.8
<i>of which, fair value option</i>	-3,218.2	-549.8
Financial assets measured at amortised cost	0.2	2.5
Financial liabilities at fair value through the income statement	2,928.3	748.8
<i>of which, held for trade</i>	-3,084.1	-1,464.6
<i>of which, fair value option</i>	6,012.4	2,213.4
Financial liabilities measured at amortised cost	-	-
Change in fair value of derivatives that are hedging instruments in fair value hedge	-10,088.1	-1,666.9
Change in fair value of derivatives that are hedging instruments in a fair value hedge, portfolio	2,494.8	416.0
Change in fair value on hedged item with regard to hedged risk in fair value hedging	10,229.3	1,694.7
Change in fair value on hedged item with regard to hedged risk in fair value hedging, portfolio	-2,504.5	-415.8
Exchange rate changes	-1.0	-1.1
Total	-208.8	47.6

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 26.

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

Note 7 Other operating income

	2022	2021
Capital gain on divestments of tangible assets	–	–
Revenue from contracts with customers	9.7	8.7
Other operating income	2.2	1.5
Total	11.9	10.2

All revenues from contracts with customers relate to revenues from a financial management service, KI Finans, which is offered to municipalities and regions. The service allows customers to create an overview of their financial positions. All revenues derive from one customer category comprising municipalities and regions, with all customers operating in the same geographic 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 agreements is fixed with no adjustments for variable compensation, obligations or benefits linked to the agreements or other assessment items. The transaction price is determined by Kommuninvest's price list and takes the customer group's external borrowing debt into account. Contract expenses for the KI Finans system are capitalised as an intangible asset and recognised under IAS 38 Intangible Assets, and current expenses attributable to KI Finans are expensed in accordance with IFRS 15, paragraph 96. No specific expenses associated with the contracts are paid by the customer.

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

Note 8 General administration expenses

In TSEK	2022	2021
Payroll expenses		
Salaries and emoluments	74,488	77,714
Social security contributions	40,706	43,564
of which, social security contributions and wage debt for social security contributions	22,901	24,039
of which, pension expenses	14,283	15,820
of which, special payroll tax on pension expenses	3,523	3,705
Temporary/contract personnel	4,946	10,319
Education/training expenses	2,317	2,767
Other payroll expenses	3,504	3,033
Total payroll expenses	125,961	137,397
Other general administration expenses		
Travel expenses	1,930	662
IT expenses	27,048	25,944
Consultancy fees	13,914	17,971
Rating expenses	2,254	2,324
Market data	8,662	9,080
Rent and other expenses for premises	6,481	6,344
Annual Report and interim report	626	752
Resolution fee ¹	–	23,015
Other expenses	25,574	24,284
Total other general administration expenses	86,488	110,375
Total	212,450	247,773

1) From 31 December 2022, the resolution fee is booked on the same legal line as the recently introduced risk tax. For further information, see Note 11.

Remuneration policy

The Company applies a remuneration policy that explains that Kommuninvest does not apply variable remuneration. Nor has any variable remuneration been paid to Kommuninvest employees in 2022. No non-recurring remuneration has been approved in connection with new appointments, nor has any severance been paid to Board Members, the CEO or other senior executives. No individual employee receives compensation equivalent to EUR 1 million or more per financial year.

Remuneration to senior executives

Remuneration for the President and CEO has been decided by the Board. For 2022, the President and CEO received TSEK 3,819 (3,864) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 1,244 (1,234) 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 2,219 (2,223) in basic salary for 2022. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 723 (712) 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 6 (5) people, of whom 2 (2) were women and 4 (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 2022, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 8,912 (9,345). The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2022, the Chairman of the Board is responsible for an independent review being performed of the Company's remuneration and compensation policies, for preparing the Board's decisions, and for compensation to Executive Management, as well as for compensation to employees bearing the overall responsibility for any of the Company's control functions, and for measures to monitor the application of the Company's remuneration policy.

Note 8, continued

Remuneration to the Board of Directors

At the end of the year, the Board of Directors was composed of 9 (9) members, including the employee representatives, of whom 5 (5) were women. Ellen Bramness Arvidsson is the Chairman of the Board. The 2022 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	2022	2021
Ellen Bramness Arvidsson (Chair)	600	600
Lars Heikensten	330	330
Erik Langby	330	330
Kristina Sundin Jonsson	330	330
Catrina Ingelstam	330	330
Mats Filipsson, appointed in April 2021	330	234
Anette Henriksson, appointed in April 2021	330	234
Kurt Eliasson, stepped down in April 2021	-	96
Mattias Bokenblom, employee representative	-	-
Kristin Ekblad, employee representative	-	-
Total	2,580	2,484

Wages and remunerations

2022, in TSEK	Basic salary / Board fee	Other benefits	Pension expense	Total
Board of Directors	2,580	-	-	2,580
President and CEO	3,819	116	1,244	5,179
Deputy CEO	2,219	0.0	723	2,941
Others in Company management	6,690	23	2,170	8,883
Other salaried employees	59,180	195	10,146	69,521
Total	74,488	333	14,283	89,105

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
Total	77,714	337	15,820	93,871

Average number of employees	2022	2021
Average number of employees during the year	98	102
of whom, women	39	44

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 work 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	2022	2021
Auditing engagement	1,792	1,869
Other audit services	708	608
Other Services	-	-

Leasing

The tables below show future leasing fees in accordance with RFR 2 and leasing expenses for the period in 2022. 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	7,276
3-5 years	360
More than 5 years	-
Total	7,636

Leasing expenses for the period	2022	2021
Leasing expenses	6,223	6,305
of which, variable leasing fees	-	-

Note 9 Other operating expenses

	2022	2021
Insurance expenses	1.6	1.3
Communication and information	1.6	1.4
Other operating expenses	0.2	0.1
Total	3.4	2.8

Note 10 Net credit losses

	2022	2021
Cash and balances with central banks	0.4	0.6
Sovereign bonds eligible as collateral	0.4	0.7
Lending to credit institutions	0.6	0.3
Lending	4.5	4.8
Bonds and other interest-bearing securities	0.0	-0.1
Off-balance sheet items	0.0	0.0
Total	5.9	6.3

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 Fees imposed: Risk tax and resolution fee

	2022	2021
Risk tax	257.3	-
Resolution fee	25.0	-
Total	282.3	-

From 31 December 2022, the resolution fee is booked on the same legal line as the recently introduced risk tax. The resolution fee has previously been recorded under Other general administration expenses. For the preceding year, the resolution fee amounted to SEK 23 million.

Note 12 Tax

Recognised in income statement	2022	2021
Current tax expense	3.0	100.5
Deferred tax expense (+) / tax income (-) attributable to temporary differences	-14.0	-
Adjustment of taxes attributable to previous years	-	-
Total tax expense recognised	-11.0	100.5

Reconciliation of effective tax	2022	2021
Profit before tax	-53.0	476.1
Tax according to prevailing tax rate	20.6% -11.0	20.6% 98.1
Non-deductible expenses/ Non-taxable revenues	- -	0.5% 2.4
Recognised effective tax	20.6% -11.0	21.1% 100.5

Tax items entered directly against equity	2022	2021
Current tax on Group contributions paid	3.0	100.5
Total sum entered directly against equity	3.0	100.5

Recognised deferred tax assets and liabilities

The Company has no deferred tax liability. Deferred tax assets are attributable to the following:	2022	2021
Tax assets, opening balance	-	-
Deferred tax income in tax value capitalised over the year through tax-loss carryforwards	14.0	-
<i>Of which, recognised in the income statement</i>	14.0	-
Tax assets, closing balance	14.0	-

Note 13 Proposed distribution of earnings

	2022
<i>The Board of Directors proposes that:</i>	
Net profit	-42.1
Profit or loss brought forward	699.8
Total	657.8
<i>Be appropriated as follows:</i>	
To be carried forward	657.8

For more information, see page 36.

Note 14 Sovereign bonds eligible as collateral

	2022				2021			
	Recognised value				Recognised value			
	Amortised cost	Fair value through the income statement	Total recognised value	Fair value	Amortised cost	Fair value through the income statement	Total recognised value	Fair value
Sovereign bonds eligible as collateral								
- Swedish central government	28,872.6	1,817.1	30,689.7	30,688.1	29,072.1	1,652.0	30,724.1	30,724.0
Total	28,872.6	1,817.1	30,689.7	30,688.1	29,072.1	1,652.0	30,724.1	30,724.0
Positive difference of book values exceeding nominal values		-					2.1	
Negative difference of book values falling below nominal values		-16.3					0.0	
Total		-16.3					2.1	

Note 15 Lending

	2022				2021			
	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	144,380.2	77,565.1	221,945.3	221,322.5	161,346.7	51,098.5	212,445.2	212,531.6
– housing companies with municipal guarantees	108,484.2	49,987.7	158,471.9	157,589.9	121,586.0	35,926.6	157,512.6	157,421.7
– other companies with municipal guarantees	61,190.8	29,067.9	90,258.7	89,636.6	68,816.3	21,876.2	90,692.4	90,509.4
Total	314,055.2	156,620.7	470,675.9	468,549.0	351,749.0	108,901.3	460,650.3	460,462.7

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

Note 16 Bonds and other interest-bearing securities

	2022				2021			
	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	750.0	289.3	1,039.3	1,039.5	3,005.0	1,241.8	4,246.8	4,246.8
– other foreign issuers	755.9	4,957.1	5,713.0	5,713.1	3,532.0	7,751.0	11,283.0	11,286.0
Total	1,505.9	5,246.4	6,752.3	6,752.6	6,537.0	8,992.8	15,529.8	15,532.8
Positive difference of book values exceeding nominal values			7.3				99.7	
Negative difference of book values falling below nominal values			–56.2				–11.7	
Total			–48.9				88.0	

Note 17 Shares and participations in subsidiaries

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

	2022	2021
Number of shares: 1,000	42.0	42.0
Total	42.0	42.0

As per 31 December 2022, Kommuninvest Fastighets AB had a balance sheet total of SEK 45.5 (45.9) million, equity of SEK 42.0 (42.0) million and generated a profit of SEK 0.0 (0.0) million.

Note 18 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-level hedging. Previously, only transaction-based hedging relationships were applied.

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

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

Interest rate risk hedging

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

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

Interest rate and currency risk hedging

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

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

Efficiency testing

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

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

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

Hedge accounting and uncertainty resulting from the reference interest rate reform

The effect of the reference interest rate reform on Kommuninvest's net profit and position is immaterial. Kommuninvest has very few hedges linked to uncertainty in foreign IBOR.

At the end of 2022, Kommuninvest had three hedging relationships linked to LIBOR 3 m maturing in 2022. Kommuninvest does not enter into any new hedging relationships of this kind.

Kommuninvest includes hedge accounting linked to Stibor 3m, for which the nominal amount totals slightly less than SEK 548.2 billion. Today, it has yet to be established how Stibor will be affected by the reference interest rate reform. The new reference rate SWESTR will apply in parallel with Stibor.

Note 18, continued

Hedging instrument	Nominal amount			Assets at fair value		Liabilities at fair value		Changes in fair value used for accounting of hedging inefficiency			
	Remaining contractual maturity			Total							
	<1 year	1–5 years	>5 years	2022	2021	2022	2021	2022	2021		
<i>Derivatives in hedging relationship</i>											
Derivatives in hedging of interest rate risk	117,996.0	322,652.1	66,422.7	507,070.8	492,901.8	225.4	243.6	-224.5	-228.5	-10,054.1	-1,606.8
Derivatives in hedging of interest rate risk, portfolio	3,115.0	33,924.0	4,402.0	41,441.0	30,935.0	-	0.0	-	0.0	2,494.8	416.0
Derivatives in hedging of interest rate and currency risk	-	-	-	0.0	1,581.5	-	-	-	-46.2	-34.0	-60.2
Total	121,111.0	356,576.1	70,824.7	548,511.8	525,418.3	225.4	243.6	-224.5	-274.7	-7,593.3	-1,251.0
Average interest rate	2.34%	2.25%	2.28%								
<i>Derivatives not used for hedging</i>											
Interest rate-related	86,287.6	165,541.3	2,045.5	253,874.5	218,774.6	77.6	0.3	-44.2	-74.8		
Currency-related	56,937.8	101,598.4	5,204.5	163,740.6	164,124.2	16,050.0	5,485.3	-1,311.3	-3,136.5		
Other	5,524.7	-	0.0	5,524.7	5,166.8	-	0.1	-1,254.2	-365.3		
Total	148,750.1	267,139.7	7,250.0	423,139.8	388,065.6	16,127.6	5,485.7	-2,609.7	-3,576.6		
Total	269,861.1	623,715.8	78,074.7	971,651.6	913,483.9	16,353.0	5,729.3	-2,834.2	-3,851.3		

Hedged items	Assets, recognised value		Accrued amount for adjustment of fair value, assets		Liabilities, recognised value		Accrued amount for adjustment of fair value, liabilities		Changes in fair value used for accounting of hedging inefficiency	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Lending in an interest rate risk hedge	130,794.6	155,092.0	-9,893.4	-560.3					-9,333.10	-2,455.8
Investment in an interest rate risk hedge	1,505.9	5,899.5	-11.7	0.3					-12.00	-8.5
Funding in an interest rate risk hedge					341,852.9	331,190.9	-21,242.6	-1,701.6	19,541.0	4,099.3
Funding in an interest rate and currency risk hedge					-	1,535.9	0.0	33.4	33.4	59.4
Hedged item, portfolio	41,441.0	30,935.0	-2,886.3	-381.8					-2,504.5	-415.7
Total	173,741.5	191,926.5	-12,791.4	-941.8	341,852.9	332,726.8	-21,242.6	-1,668.2	7,724.8	1,278.7

Total hedging inefficiency	2022	2021
<i>Interest rate risk hedging</i>		
Derivatives	-10,054.1	-1,606.8
Funding	19,541.0	4,099.3
Lending	-9,333.1	-2,455.8
Investment	-12.0	-8.5
Portfolio	-9.7	0.3
Total	132.1	28.5
<i>Interest rate and currency risk hedging</i>		
Derivatives	-34.0	-60.2
Funding	33.4	59.4
Total	-0.6	-0.8

All inefficiency is recognised in net result of financial transactions.

Note 19 Intangible assets

	2022	2021
<i>Acquisition value</i>		
Acquisition value brought forward	36.5	52.1
Investments for the year	–	0.4
Disposals and scrappings	–	-16.1
Acquisition value carried forward	36.5	36.4
<i>Depreciation</i>		
Opening balance, depreciation	-11.7	-21.4
Depreciation for the year	-6.3	-6.4
Disposals and scrappings	–	16.1
Depreciation carried forward	-18.0	-11.7
Planned residual value at the end of the accounting period	18.5	24.7

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

Note 20 Tangible assets

	2022	2021
<i>Acquisition value</i>		
Acquisition value brought forward	27.9	26.1
Investments for the year	0.2	1.7
Acquisition value carried forward	28.1	27.8
<i>Depreciation</i>		
Opening balance, depreciation	-21.9	-19.3
Depreciation for the year	-1.8	-2.5
Depreciation carried forward	-23.7	-21.8
Planned residual value at the end of the accounting period	4.4	6.0

Tangible assets mainly comprise IT equipment and office equipment.

Note 21 Other assets

	2022	2021
Receivables from subsidiaries	1.8	2.1
Marginal collateral pledged	676.5	2,414.4
Other assets	7.4	11.5
Total	685.7	2,428.0

Receivables from subsidiaries refer to Group contributions.

Since 2016, Kommuninvest pledges collateral for derivatives cleared by a central clearing counterparty, with the net collateral for each counterparty and currency being recognised in the balance sheet, see further under Note 27. 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 22 Other liabilities

	2022	2021
Liabilities to parent society	14.6	488.0
Marginal collateral received	14,738.7	3,503.3
Other liabilities	306.6	13.7
Total	15,059.9	4,005.0

Liabilities to the Kommuninvest Cooperative Society refers to Group contributions. Since 2016, Kommuninvest receives collateral for derivatives cleared by central clearing counterparties, which are netted per counterparty and currency in the balance sheet, see further under Note 27. 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 23 Provisions

	2022	2021
Provisions for off-balance sheet commitments	0.0	0.0
Total	0.0	0.0

This item includes provisions for expected credit losses on off-balance sheet commitments. For more information on off-balance sheet items, see Note 24.

Note 24 Pledged assets, contingent liabilities and commitments

	2022	2021
Pledged assets		
<i>In the form of assets pledged for own provisions and liabilities</i>		
Deposited at the Riksbank		
– government bonds	–	–
– state-related securities	3,004.8	8,521.8
Assets pledged for derivative contracts		
– cash collateral according to collateral agreements for derivative contracts	676.5	1,601.7
– securities according to collateral agreements for derivative contracts	3,283.4	1,650.0
Assets pledged, total	6,964.8	11,773.5
Contingent liabilities	None	None
Committed undisbursed loans	549.2	278.7
Committed loans	–	239.1

The recognised value of liabilities and provisions involving pledges amounted to SEK - (-) 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 25 Related party relationships

In 2022, 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	2022	972	–	–	213	14,572
Kommuninvest Cooperative Society	2021	396	14	–	152	488,005
Kommuninvest Fastighets AB	2022	35	4,522	–	1,800	–
Kommuninvest Fastighets AB	2021	341	4,442	–	2,100	–

The close association with Kommuninvest Fastighets AB relates to transactions involving Kommuninvest's premises, which are owned by Kommuninvest Fastighets AB, as well to Group contributions. Liabilities to the Kommuninvest Cooperative Society refers to Group contributions. Regarding remuneration to senior executives, see Note 8.

Note 26 Financial assets and liabilities

Financial instruments broken down by valuation category

2022	Amortised cost	Fair value through the income statement				Recognised value	Fair value
		Held for trade	Compulsory	Fair value option	Derivatives used for hedge accounting		
Financial assets							
Cash and balances with central banks	26,217.2	–	–	–	–	26,217.2	26,217.2
Sovereign bonds eligible as collateral	28,872.6	–	–	1,817.1	–	30,689.7	30,688.1
Lending to credit institutions	1,763.4	–	–	–	–	1,763.4	1,763.4
Lending	314,055.2	–	–	156,620.7	–	470,675.9	468,549.0
Bonds and other interest-bearing securities	1,505.9	–	–	5,246.4	–	6,752.3	6,752.6
Derivatives	–	–	16,127.6	–	225.4	16,353.0	16,353.0
Other financial assets	682.3	–	–	–	–	682.3	682.3
Total	373,096.6	–	16,127.6	163,684.2	225.4	553,133.8	551,005.6
Financial liabilities							
Liabilities to credit institutions ¹	1,487.5	–	–	–	–	1,487.5	1,487.4
Securities issued ¹	361,041.7	–	–	159,735.3	–	520,777.0	520,551.2
Derivatives	–	2,609.7	–	–	224.5	2,834.2	2,834.2
Change in value of interest-hedged items in portfolio hedging	2,886.3	–	–	–	–	2,886.3	2,886.3
Other financial liabilities	14,800.2	–	–	–	–	14,800.2	14,800.2
Total	380,215.7	2,609.7	–	159,735.3	224.5	542,785.2	542,559.3

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 549,472.6 (509,910.9) million.

Note 26, continued

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		
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	-	-	1,652.0	-	30,724.1	30,724.1
Lending to credit institutions	1,334.7	-	-	-	-	1,334.7	1,334.7
Lending	351,749.0	-	-	108,901.3	-	460,650.3	460,462.7
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	15,532.8
Derivatives	-	-	5,485.7	-	243.6	5,729.3	5,729.3
Other financial assets	2,417.7	-	-	-	-	2,417.7	2,417.7
Total	398,783.0	-	5,485.7	119,546.1	243.6	524,058.4	523,873.8
Financial liabilities							
Liabilities to credit institutions ¹	277.7	-	-	-	-	277.7	277.7
Securities issued ¹	349,319.4	-	-	156,760.7	-	506,080.1	507,840.9
Derivatives	-	3,576.7	-	-	274.7	3,851.4	3,851.4
Change in value of interest-hedged items in portfolio hedging	381.8	-	-	-	-	381.8	381.8
Other financial liabilities	4,002.4	-	-	-	-	4,002.4	4,002.4
Total	353,981.3	3,576.7	-	156,760.7	274.7	514,593.4	516,354.2

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, the liquidity reserve, all lending and derivatives not traded on an active market with quoted prices, accepted and well-established valuation techniques are applied to determine fair value based on observable market data in accordance with level 2. For a small portion of financial instruments in Kommuninvest's debt portfolio with input data not observable through the market or proprietary assessments, material effects on the valuation of these instruments are, accordingly, classified under level 3.

Lending

Fair value has been calculated by discounting anticipated future cash flows by a discount rate set at the swap rate adjusted by current lending margins. This means that if 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 and securities issued

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 has been set to the swap rate adjusted for current borrowing margins for the funding structure and market by applying the Company's current funding margins. 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. Funding valued at quoted prices, not deemed as traded in an active market, are classified in level 2. Funding valued based on discounted future cash flows are classified in level 2, with the exception of funding for which anticipated future cash flows are attributable to significant non-observable market data, which are classified in level 3. The members' guarantee undertaking affects the valuation of funding and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins.

Derivatives

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

Note 26, continued

currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads.

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 value adjustment for derivatives (DVA) corresponds to the credit rating 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 value 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 assets recognised at fair value would mean a negative change in net profit of SEK 270 (195) 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 243 (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 +/- 28 (+/- 29) 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 +/- 12 (+/- 17) million.

All of the above changes refer to 31 December 2022 (comparative figures refer to 31 December 2021) 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 the market values being realised.

Uncertainty in measurement due to unobservable input data

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

The effect on 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 anticipated remaining duration of the contracts, which depend in turn on unobservable data. The effect on net profit from the unobservable input data that arises is therefore attributable to how input data affect the estimated remaining maturity of the contracts.

Kommuninvest has calculated the maturity at 1.6 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable funding in the interval of 1.0 – 2.1 years. This would have an effect on net profit in the interval SEK 0.3 million – SEK 0.0 million.

Change in value due to changed 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 borrowings 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 have been unchanged since the 2020 Annual Report. This also means that the turbulence of recent years has not caused any changes to valuation models. 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 STATEMENTS

Note 26, continued

Financial instruments recognised at fair value in the balance sheet

2022	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign bonds eligible as collateral	–	1,817.1	–	1,817.1
Lending	–	156,620.7	–	156,620.7
Bonds and other interest-bearing securities	–	5,246.4	–	5,246.4
Derivatives	–	16,350.5	2.5	16,353.0
Total	–	180,034.7	2.5	180,037.2
Financial liabilities				
Liabilities to credit institutions	–	–	–	–
Securities issued	46,962.5	108,361.8	4,411.0	159,735.3
Derivatives	–	1,407.6	1,426.6	2,834.2
Total	46,962.5	109,769.4	5,837.6	162,569.5
2021				
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

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

	Recognised value 31 Dec 2022	Recognised value 31 Dec 2021
Assets		
To level 1 from level 2	–	–
To level 2 from level 1	2,469.5	–
Liabilities		
To level 1 from level 2	–	–
To level 2 from level 1	65,306.3	31,929.0

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 levels 1 and 2. The indicators show the number of observations and

their standard deviation for bond prices and a specific number of executable quotes. The transfers are considered to have taken place on 31 December 2022 and 31 December 2021 for the preceding period.

Note 26, continued

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

2022	Level 1	Level 2	Level 3	Total fair value	Recognised value
Financial assets					
Cash and balances with central banks	-	26,217.2	-	26,217.2	26,217.2
Sovereign bonds eligible as collateral	-	28,871.0	-	28,871.0	28,872.6
Lending to credit institutions	-	1,763.4	-	1,763.4	1,763.4
Lending	-	311,928.3	-	311,928.3	314,055.2
Bonds and other interest-bearing securities	309.5	1,196.7	-	1,506.2	1,505.9
Other assets	-	682.3	-	682.3	682.3
Total	309.5	370,658.9	-	370,968.4	373,096.6
Financial liabilities					
Liabilities to credit institutions	-	1,487.4	-	1,487.4	1,487.5
Securities issued	-	360,816.0	-	360,816.0	361,041.7
Change in value of interest-hedged items in portfolio hedging	-	2,886.3	-	2,886.3	2,886.3
Other liabilities	-	14,800.2	-	14,800.2	14,800.2
Total	-	379,989.9	-	379,989.9	380,215.7

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

Changes in level 3

The table below presents a reconciliation of opening and closing balances for those financial instruments that have been recognised at fair value in the balance sheet based on an assessment technique proceeding from unobservable input data (level 3).

Value changes in level 3 are followed up continuously over the year.

	Derivative assets	Derivative liabilities	Securities issued	Total
Opening balance, 1 Jan 2022	91.2	-567.2	-5,149.5	-5,625.5
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-88.7	-859.4	906.4	-41.7
Loans raised/Issues	-	-	-	-
Maturing during the year	-	-	-167.9	-167.9
Closing balance, 31 Dec 2022	2.5	-1,426.6	-4,411.0	-5,835.1
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 Dec 2022	-3.6	-218.5	179.6	-42.5
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
Loans raised/Issues	-	-	-4,993.4	-4,993.4
Maturing during the year	-	-	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 Dec 2021	7.6	-213.1	202.1	-3.4

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 27 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.

2022	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	32,214.0	-15,861.0	16,353.0	-2,105.8	-101.3	-14,042.6	103.3
Repos	-	-	-	-	-	-	-
Liabilities							
Derivatives	-28,290.6	25,456.4	-2,834.2	2,105.8	-	624.8	-103.6
Repos	-1,487.5	-	-1,487.5	-	1,487.5	-	-
Total	2,435.9	9,595.4	12,031.3	-	1,386.2	-13,417.8	-0.3

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	-	-
Total	3,044.5	-1,444.2	1,600.3	-	-123.2	-1,508.0	-30.9

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

Note 28 Events after the balance sheet date

No significant events have occurred after the end of the financial year.

Five-Year Summary

Key ratios 2018–2022, SEK, million	2022	2021	2020	2019	2018
Equity					
Core Tier I capital ratio (%)	454.1	397.1	302.5	126.8	188.4
Tier I capital ratio (%)	454.1	397.1	302.5	126.8	188.4
Total capital ratio (%)	454.1	397.1	302.5	126.8	188.4
Leverage ratio (%)	14.2	15.4	10.6	12.3	11.3
Net profit					
Operating income	419.6	425.9	462.2	573.4	612.4
Operating expenses, excluding the resolution fee/risk tax, as % of lending ¹	0.048	0.051	0.051	0.054	0.057
Operating expenses, excluding the resolution fee/risk tax, as % of balance sheet total ¹	0.040	0.045	0.043	0.047	0.049
Return on assets (%)	-0.008	0.072	0.034	0.065	0.140
Cost/income ratio	0.330	0.376	0.342	0.295	0.304
Other information					
Number of employees at the end of the year (excl. part-time employees)	101	102	97	93	92
Income statement 1 January – 31 December, SEK, million	2022	2021	2020	2019	2018
Net interest income	665.8	680.8	711.3	827.5	885.5
Dividends received	1.8	2.1	1.9	2.4	2.1
Commission expenses	-11.7	-11.4	-12.7	-11.3	-8.2
Net result of financial transactions	-208.8	47.6	-247.7	-201.5	161.4
Other operating income	11.9	10.2	11.6	9.3	7.8
Total operating income	459.0	729.3	464.4	626.4	1,048.6
Total expenses	-223.9	-259.5	-247.5	-246.9	-271.8
Net profit before credit losses	235.1	469.8	216.9	379.5	776.8
Net credit losses	-5.9	6.3	11.1	12.6	-24.3
Fees imposed: Risk tax and resolution fee	-282.3	-	-	-	-
Impairment of financial assets	-	-	-	-	-
Operating profit	-53.1	476.1	228.0	392.1	752.5
Tax	11.0	-100.5	-48.3	-84.2	-166.4
Net profit	-42.1	375.6	179.7	307.9	586.1
Balance sheet summary as at 31 December, SEK million	2022	2021	2020	2019	2018
Cash and balances with central bank	26,217.2	7,672.5	18,931.2	811.1	-
Sovereign bonds eligible as collateral	30,689.7	30,724.1	28,035.2	17,686.3	39,230.3
Lending to credit institutions	1,763.4	1,334.7	1,669.6	21,917.2	1,843.4
Lending	470,675.9	460,650.3	445,788.8	408,218.1	355,710.0
Change in value of interest-hedged item in portfolio hedging	-	-	33.9	-	-
Bonds and other interest-bearing securities	6,752.3	15,529.8	13,822.9	7,722.6	7,457.8
Derivatives	16,353.0	5,729.3	2,429.4	11,967.0	11,333.2
Other assets	805.0	2,621.0	16,652.6	2,998.4	1,627.4
Total assets	553,256.5	524,261.7	527,363.6	471,320.7	417,202.1
Liabilities to credit institutions	1,487.5	277.7	947.0	4,027.7	584.0
Securities issued	520,777.0	506,080.1	498,305.9	446,763.0	396,796.9
Derivatives	2,834.2	3,851.4	18,977.6	3,484.5	5,959.6
Change in value of interest-hedged item in portfolio hedging	2,886.3	381.8	-	0.7	-
Other liabilities	15,102.8	4,048.4	428.9	9,442.8	6,258.2
Subordinated liabilities	-	-	-	-	-
Total liabilities and provisions	543,087.8	514,639.4	518,659.4	463,718.7	409,598.7
Equity	10,168.7	9,622.3	8,704.2	7,602.0	7,603.4
Total liabilities, provisions and equity	553,256.5	524,261.7	527,363.6	471,320.7	417,202.1

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	2022	2021
Operating income	Operating profit reduced with the result of unrealised market value changes that are included in the income statement item Net profit from financial transactions, expected credit losses and risk tax. 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 Risk tax Operating income	-53.1 -209.5 -5.9 -257.3 419.6	476.1 43.9 6.3 - 425.9
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 amounts to 1.0 percent.	Total exposure according to current regulations Exposure in the form of lending to members and their companies Total exposure including lending to members and their companies Tier I capital, calculated applying transitional rules Leverage ratio including lending to members and their companies	69,633.9 470,950.5 540,584.4 9,909.9 1.83%	61,212.2 460,909.2 522,121.4 9,399.2 1.80%
Operating expenses, excluding the resolution fee/stability fee, as % of lending	Operating expenses over the financial year, excluding the resolution fee/risk tax in relation to the carrying value of lending on the closing date. A key ratio that is relevant in assessing the organisation's overall cost effectiveness in relation to lending, adjusted for the resolution fee/risk tax.	General administration expenses Depreciation Other operating expenses Total operating expenses Resolution fee/risk tax Total operating expenses excluding resolution fee/risk tax Lending as per the closing date Operating expenses, excluding the resolution fee/risk tax, as % of lending	-212.4 -8.1 -3.4 -223.9 - -223.9 470,675.9 0.048	-247.8 -8.9 -2.8 -259.5 -23.0 -236.5 460,650.3 0.051
Operating expenses, excluding the resolution fee/risk tax, as % of balance sheet total	Total operating expenses over the financial year, excluding the resolution fee/risk tax 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 the balance sheet total, adjusted for the resolution fee/risk tax.	General administration expenses Depreciation Other operating expenses Total operating expenses Resolution fee/risk tax Total operating expenses excluding resolution fee/risk tax Balance sheet total as per the closing date Operating expenses, excluding the resolution fee/risk tax, as % of balance sheet total	-212.4 -8.1 -3.4 -223.9 - -223.9 553,256.5 0.040	-247.8 -8.9 -2.8 -259.5 -23.0 -236.5 524,261.7 0.045
Return on assets (%)	Net profit in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.	Net profit Total assets Return on assets (%)	-42.1 553,256.5 -0.008	375.6 524,261.7 0.072
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 revenues.	Total expenses Net interest income Other operating income Total net interest income and other operating income Cost/income ratio	-223.9 665.8 11.9 677.7 0.330	-259.5 680.8 10.2 691.0 0.376

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, February 15, 2023

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, February 16, 2023

KPMG AB

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 2022. The annual accounts of the Company are included on pages 27–97 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 2022 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 association 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 disclosure in Note 26 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 180,035 million classified as level 2, financial assets of SEK 3 million classified as level 3, financial liabilities of SEK 109,769 million classified as level 2 and financial liabilities of SEK 5,838 million classified as level 3. In total, these assets and liabilities represent 33 percent of the Company's total assets and 21 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 disclosures in Notes 6, 18 and 26 in the annual accounts for detailed information 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 3–25. The Board of Directors and the President 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 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 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 assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual 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 2022 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

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 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 **Opinion**

In addition to our audit of the annual accounts, we have also conducted a review to ascertain whether the Board of Directors and the President and CEO have prepared the annual 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 for the year 2021. Our review and our opinion pertain to the statutory requirement alone.

In our opinion, the ESEF report has been prepared in a format that essentially enables uniform electronic reporting.

Basis for opinion

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

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 significant inaccuracies, whether these are due to irregularities or mistakes.

Auditor's responsibility

Our 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 accounts. We choose which measures to perform by, among other things, assessing the risks of significant errors in the reporting, whether due to irregularities or mistakes. 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 comprise a validation of whether the ESEF report has been prepared in a valid XHTML format and whether a reconciliation of the ESEF report agrees with the audited annual 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, February 16, 2023

KPMG AB

Anders Tagde
Authorised Public Accountant



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

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



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.org