

KOMMUNINVEST I SVERIGE AB

# Annual Report 2023



KOMMUNINVEST

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The Annual Report for Kommuninvest i Sverige AB (publ) is presented on pages 23–93. On pages 3–21 “Kommuninvest” refers to the Kommuninvest Cooperative Society and/or to Kommuninvest i Sverige AB. From page 23 and onwards, it refers to Kommuninvest i Sverige AB, unless otherwise stated. The Annual Report for the Parent Society, the Kommuninvest Cooperative Society, is available at [www.kommuninvest.org](http://www.kommuninvest.org)

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 + 15

Kommuninvest is owned by 280 municipalities and 15 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 112 billion.

### 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.



### Social Sustainability Loans

Social Sustainability Loans were launched in 2021 to promote the development of social sustainability in the local government sector. During the year, the volume of granted financing increased by SEK 5 billion.

### Organisation with clear division of roles

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

#### **Kommuninvest Cooperative Society**

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, lending and liquidity management.

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 512 bn

Lending to customers amounted to SEK 512 billion at the end of 2023.



# Stable development despite turbulent times

**External developments have had a major impact on local government finances over the past year. When the financial markets were shaken in the spring of 2023, Kommuninvest held strong and was able to conduct all of its funding as planned, despite market unease.**

The year 2023 presented multiple challenges, largely in the shape of external uncertainties. We experienced continued war in Ukraine, a greatly worsened security situation in Israel and Gaza, continued high inflation, rising interest rates and an occasionally volatile market, both global and locally. Although the financial markets were profoundly shaken in the spring, Kommuninvest held strong and was able to conduct its funding as planned, despite market unease. External developments had a major impact on local government finances. Increased inflation and rising interest rates impacted costs and contributed to a strained economic situation for municipalities and regions in 2023.

## **Borrowing trend and increased investment in environmental projects**

Despite the external challenges, local government investment is needed for the future and our lending operations developed well in 2023. The total lending volume grew by 6 percent and, at the end of the year, amounted to more than SEK 500 billion.

In October, we published our annual Local Government Debt report. The report summarises developments in investments, loans and debt in the local government sector. Do take the opportunity to read it, if you haven't already! The forward-looking part of the report presents a forecast of the debt trend in 2023–2026. Looking ahead, we see investment volumes growing at a relatively good pace over the next few years, despite a challenging external environment with decreasing development and housing investment. Borrowing is expected to grow by about 4 percent annually between 2023 and 2024 and by about 3 percent annually between 2025 and 2026.

We also published two research reports during the year. In March, we published the focus report, *How high is local government debt really?* This report explains why the Swedish local government sector stands out in an international perspective, in terms of its debt level. The key reasons include Sweden's decentralised welfare model and its municipal companies' extensive borrowing needs, combined with the widespread use of internal banks. In June, we published the report, *Interest Rate Sensitivity in Public Housing*, which highlighted the importance of

adapting the sector's debt management strategy to the economic circumstances of each area of operations.

In 2023, we noted increased need for investment in environmental projects and we also experienced a breakthrough year for Social Sustainability Loans. It is worth mentioning, for example, that municipal housing company Botkyrkabyggen, in the Municipality of Botkyrka, south of Stockholm, was granted a Social Sustainability Loan of SEK 3.8 billion earlier in the year. This involves a major long-term social initiative in the areas of Alby, Fittja and Norsborg. In November, we also approved a similar Social Sustainability Loan to the municipal housing company in Enköping.

In relation to total lending (based on disbursed volume), Green Loans increased by almost 2 percentage points in 2023, amounting to about 16 percent at the end of the year.

Also at the end of the year, Social Sustainability Loans had achieved 20 approved investment projects, SEK 6.7 billion in loans granted and SEK 2.1 billion in loans disbursed.

## **Sustainable bond issuer**

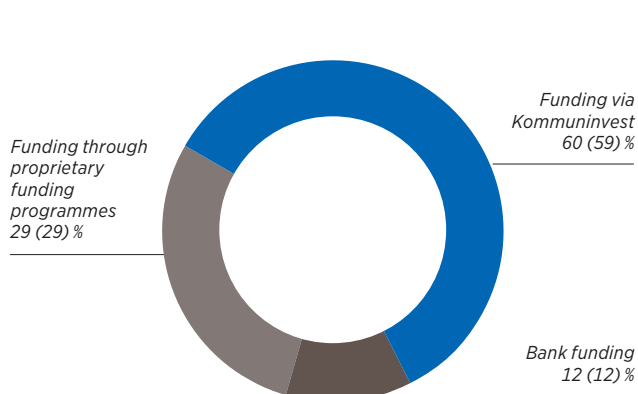
Over the year, we established ourselves in earnest as sustainable issuer of Green Bonds in the EUR market. We have also issued Green Bonds in USD and SEK, with our issues continuing to meet strong demand in the market. Having long-term investors is key to Kommuninvest's opportunities to secure cost-efficient funding of the local government sector's green transition. Kommuninvest now has a total of SEK 77 billion outstanding in 11 Green Bonds – of which five are denominated in SEK, two in USD and four in EUR.

## **Changes in the operations**

The Annual General Meeting of the Kommuninvest Cooperative Society was held in March, with a hybrid setup, with in-person attendance in Stockholm. In connection with the Annual General Meeting of the Society in March, Linda Frohm was elected as the new Chairman of the Kommuninvest Cooperative Society and Erik Langby was elected as the new Chairman of Kommuninvest i Sverige AB. Shortly thereafter, on 1 April, Katarina Ljungqvist was appointed as the new CEO of Kommuninvest. She took on the role of CEO for both the Kommuninvest Cooperative Society and for Kommuninvest i Sverige AB.

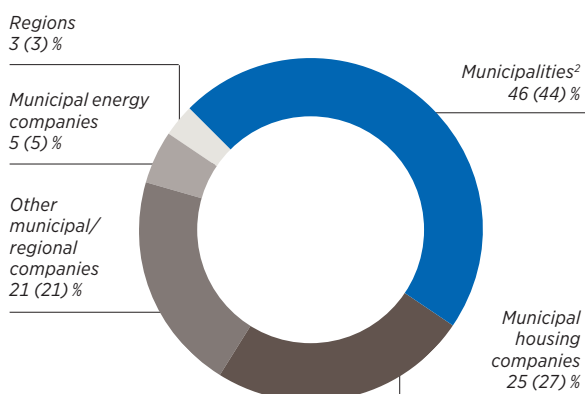


## MARKET SHARES, LOCAL GOVERNMENT LOAN FINANCING<sup>1</sup>



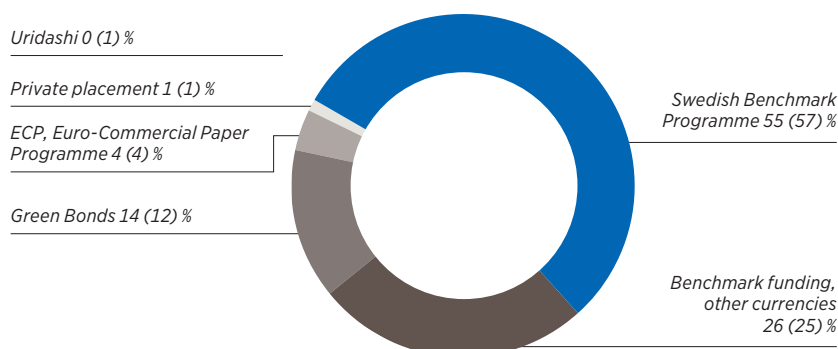
1) Forecast regarding outstanding funding (figures in brackets refer to actual outstanding funding in accordance with municipalities' and regions' own Annual Reports as per 31 December 2022).

## 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 2023. Figures in parentheses refer to 31 December 2022.

### Multi-year summary, Kommuninvest i Sverige AB

	2023	2022	2021	2020	2019
Balance sheet total, SEK billion	568.9	553.3	524.3	527.4	471.3
Lending (recognised value), SEK, billion	508.8	470.7	460.7	445.8	408.2
Net profit, SEK, million	355.2	-42.1	375.6	179.7	307.9
Members, total	295	294	294	292	290
of which, municipalities	280	280	280	278	278
of which, regions	15	14	14	14	12
Core Tier I capital ratio, %	354.9	454.1	397.1	302.5	126.8
Tier I capital ratio, %	354.9	454.1	397.1	302.5	126.8
Total capital ratio, %	354.9	454.1	397.1	302.5	126.8
Leverage ratio, %	20.17	14.23	15.36	10.60	12.29

# Full speed towards “Kommuninvest 2027”

Although 2023 was pervaded by strong inflation and rising interest rates, we at Kommuninvest continued to be able to deliver stable loans on favourable terms. It was also a year in which we initiated an extensive development process for Kommuninvest's future.

Now is the time to summarise the 2023 financial year. It was an incredibly exciting year in itself, but also an important starting point for the major development process initiated during the year and that will give us an even better Kommuninvest by 2027.

It was also a particularly interesting year for me personally. After eight years as a member of the Board of Directors of the Company, I was entrusted on 30 March with taking over the Chairman's gavel, while, at about the same time, on 1 April, our new CEO, Katarina Ljungqvist, took office. In 2023, our former CEO, Tomas Werngren, who has served us so well for very many years, chose to move on to new challenges outside Kommuninvest. Thank you Thomas for all that you have done and for what you have meant to Kommuninvest!

Of course 2023 was very much coloured by the general economic situation among Swedish municipalities and regions given strong inflation, sharply increased interest rates, recession concerns and central governments having to show restraint to not make inflation worse. Over the year, our work within Kommuninvest focused on three areas:

- Deliveries to members and customers in the form of loans on favourable terms. We enjoyed continued favourable development in Green Loans as well as in Social Sustainability Loans and were able to provide good support and service for our customers financial work. We now have a 60 percent market share of the market when we look at the combined loans market for municipalities and regions.



“  
It is naturally highly satisfying for us to be able to present a good financial result for 2023 despite a situation in which challenge posed by the risk tax has continued to hit us with full force”

- Persistent advocacy for Kommuninvest to be spared the continued imposition of the risk tax. Although we have a good dialogue with the Ministry of Finance, much more must fall into place, requiring that we also conduct advocacy efforts in Brussels.
- We initiated an extensive development process to modernise Kommuninvest and to secure our operations for the future. Looking ahead, we will, for example need a new business system in place, as well as other new IT support functions. In addition, all governance documents will be reviewed and we intend to further sharpen our customer focus. By 2027, these efforts will have been completed.

It is naturally highly satisfying for us to be able to present a good financial result for 2023 despite a situation in which challenge posed by the risk tax has continued to hit us with full force. We have every reason to be proud of what we within Kommuninvest achieved over the year in terms of the operations, our financial net profit and innovative strength for the future!

**Erik Langby**

Chairman of the Board, Kommuninvest AB

# Challenging international situation, strenuous economy and urgent realignment

**Rising inflation and interest rates impacted our cost scenario and contributed to an arduous economic position over the year, not least for municipalities and regions. We are a stable and transparent bond issuer in the market and, backed by strong owners, we are able to safeguard highly favourable lending capacity even in troubled times.**

I stepped into the role of CEO for Kommuninvest in April 2023. With my extensive background in banking and finance, I can bring experience and skills from the financial sector into a new context with owners and customers in the welfare sector. This has been both stimulating and a real privilege. I would like to take this opportunity to extend my gratitude for the warm and open reception I received from my colleagues and from the members and customers I have met over the year. Despite continuing external challenges, 2023 brought great development in business volumes and, particularly gratifyingly, in sustainable financing. For this reason, I am all the more certain today that we can be a powerful resource in the crucial realignment taking place in society, despite the still challenging external environment.

## Challenging external environment

Last spring, the financial markets were deeply shaken when first Silicon Valley Bank collapsed, followed by two more US banks, as well as Credit Suisse. In parallel, we continued to experience a challenging external environment, in terms of the geopolitical, security, inflation and interest situation alike. Under circumstances like those, it is necessary to keep several thoughts in mind simultaneously. The geopolitical situation impacts domestic security, bringing an increased risk of cyberattacks, for example. Rising inflation and interest rates impacted our cost scenario and contributed to an arduous



**Maintaining a high level of preparedness to address security and continuity is an issue growing continuously in importance and on which Kommuninvest must stay focused”**

economic position over the year, not at least for municipalities and regions.

One thing that was clear over the past year was that our robust business model held strong even in a troubled external environment and an arduous, high-inflation economy in Sweden. For our customers, we are a stable and transparent bond issuer in the market and, backed by strong owners, we are able to safeguard highly favourable lending capacity even in troubled times. Maintaining a high level of preparedness to address security and continuity is an issue growing continuously in importance and on which Kommuninvest must stay focused.

## Increased investments in the water and sewerage sector, as well as in environmental projects

We perceive clear increases among investments in operational premises and infrastructure by Swedish municipalities and regions – particularly in the water and sewerage sector, but also in environmental projects. An example of operations recently granted a Green Loan is AB Sjöbohem. Not only is self-sufficiency in energy achieved through electricity produced in-house from renewable sources, an energy system is also built that can store excess energy for later use in the form of hydrogen gas. This is one of many positive example of investments contributing to the crucial realignment.

Lending growth increased towards the end of the year, ending up at slightly more than 6 per cent for the year, higher than forecast. We fore-





see a slightly lower growth rate going forward and expected it to be about 4 percent over the next three years. Allowing for a continued challenging external environment, forecasting declining development and housing investment, we still expect investment to grow at a relatively good pace – particularly given the need for realignment to a sustainable society.

#### **More greens projects and a breakthrough for Social Sustainability Loans**

During the year, the Municipality of Botkyrka and public housing company Botkyrkabyggen were granted a Social Sustainability Loan of SEK 3.8 billion. This involves a major long-term social initiative in the areas of Alby, Fittja and Norsborg. It is highly gratifying that the public housing company in Enköping has also been granted a similar Social Sustainability Loan. Both of these initiatives have contributed strongly to the year's increase of SEK 5 billion in granted financing.

#### **Net profit**

We are pleased to have again delivered a positive operating profit for 2023. This was achieved despite the continued extensive and negative impact of the risk tax. Operating profit amounted to slightly less than SEK 450 million following the positive impact of unrealised changes in market value of about SEK 60 million. Rising interest rates over the year also helped strengthen net profit through significantly higher net interest income. In our assessment, the risk tax will continue to burden earnings in 2024 and we will, over the year, continue our pro-active efforts for Kommuninvest not to be subject to this tax.

Kommuninvest i Sverige AB

**Katarina Ljungqvist**  
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. Kommuninvest's share of local government sector borrowing has increased in recent years. Today we account for 60 percent of lending to the local government sector. This is explained by the fact that an increasing number of municipalities and regions have joined as members, generating additional economies of scale which, in combination with superior accessibility and good advice, strengthen Kommuninvest's competitiveness.

## 1. Funding

Kommuninvest raises funds on an ongoing basis, both in Sweden and in the international capital markets. The local government sector's inherent stability combined with our members' joint and several guarantee undertaking means that 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 safeguard our lending and to always be able to offer good new lending capacity, we always maintain a liquidity reserve.

## 2. Loan application and credit check

When one of Kommuninvest's customers decides to borrow money for one or more investments, the municipality or the region contacts Kommuninvest to apply for a loan. Normally, our lending is not linked to any specific purpose.

As we know our customers well, we have a good knowledge of their financial situation. We provide credit based on lending frameworks and credit decisions. The lending frameworks indicate the total credit scope for each municipal/regional group. If needs arise beyond that lending framework, an in-depth analysis is performed. The lending frameworks are thus dynamic and 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 funding through special bonds that are acquired by Swedish and international investors. To date, a large number of Green Bonds have been issued. Social bonds are issued when the volume of social lending has grown sufficiently large.

## 4. Disbursement of loans

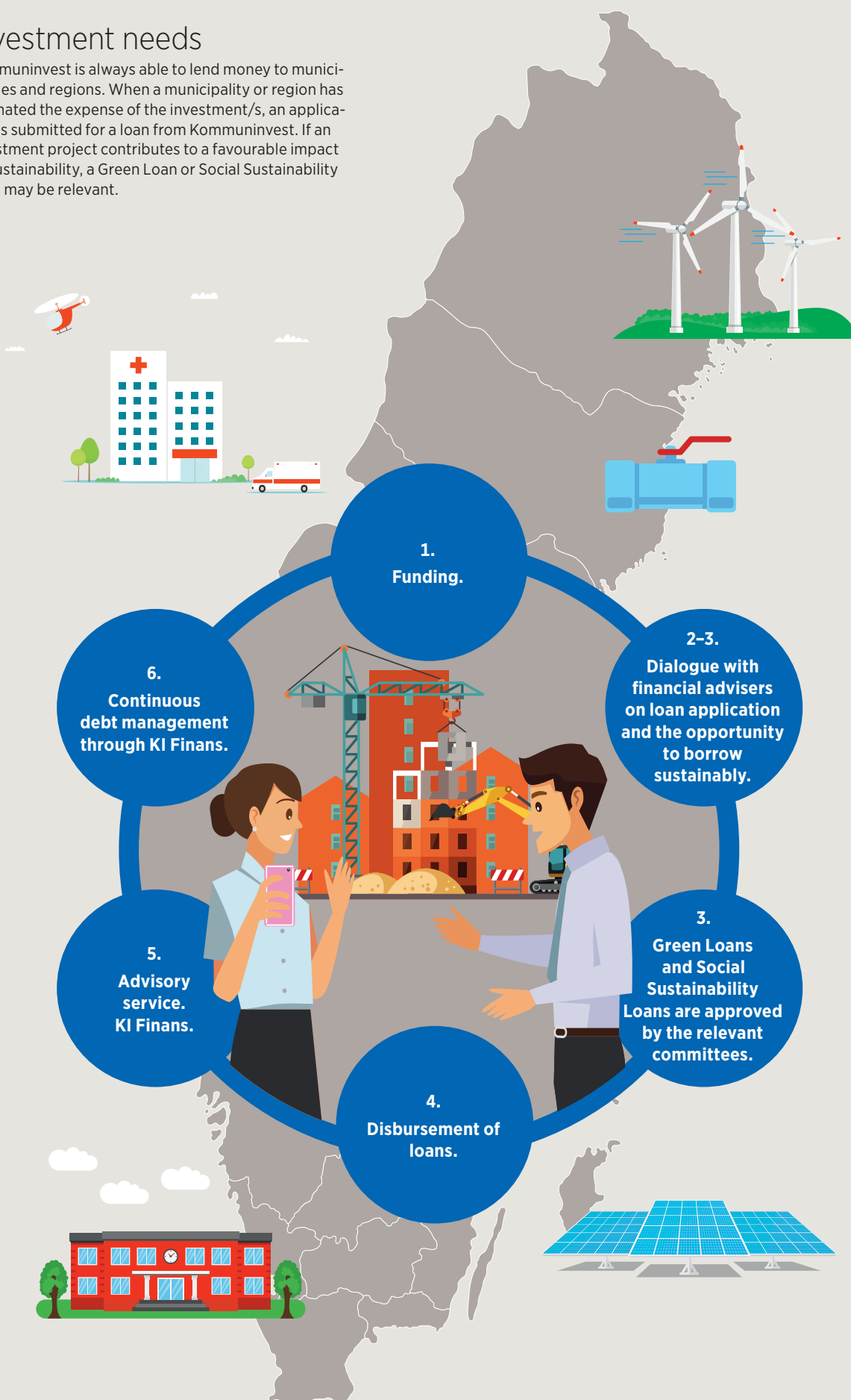
Thanks to our close cooperation with our customers and our efficient and highly digitalised credit provision, it takes only a short time between the customer's loan application and the disbursement of the loan. Whether it concerns a Green Loan or a Social Sustainability Loan, we handle the specific administration 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, our customers have access to transaction management, analyses 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.





Creates stable  
finances in  
municipalities  
and regions.



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



Lending

**512**

SEK bn

Of which, 16 percent are Green Loans



Helps all of  
Sweden live.



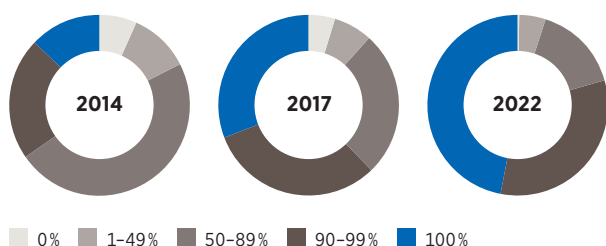
**373**  
SEK million in  
distributable funds<sup>1</sup>

**2,586**  
users of  
KI Finans

Helps to meet  
Sweden's  
sustainability  
targets.

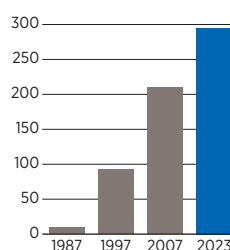
<sup>1</sup>) Dividend expected to be distributed in 2024,  
for the 2023 financial year.

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

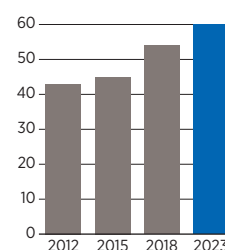


The compilation refers to Kommuninvest's share of borrowing among all of Sweden's municipalities and regions, including both members and non-members. Most of the municipalities and regions with no borrowing from Kommuninvest are non-members, meaning they are not entitled to raise loans from Kommuninvest. Data for 2023 were not available at the time of publication.

#### Number of members



#### Kommuninvest's market share, %



# Sustainability report 2023

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

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

## **Towards more complete integration of sustainability**

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, as well as new official reporting, have been in progress within the Company since 2021. It is also increasingly important to consider sustainability in the funding market. Among other things, Kommuninvest can rely on good sustainability ratings from three leading players.

## **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 cost-efficiently and stably fund our operations. Our members' extensive societal mission and borrowing needs, as well as 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, a new product has been offered, Social Sustainability Loans, aimed specifically at fostering systematic work with social initiatives. In addition, during 2023, the first steps were taken towards integrating "ESG factors" into provision of credit, initially by taking environmental and climate factors into account.

We are also working to build knowledge on debt management, as part of good financial management in the local gov-

ernment sector. By extension, this should give elected representatives the best possible 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**

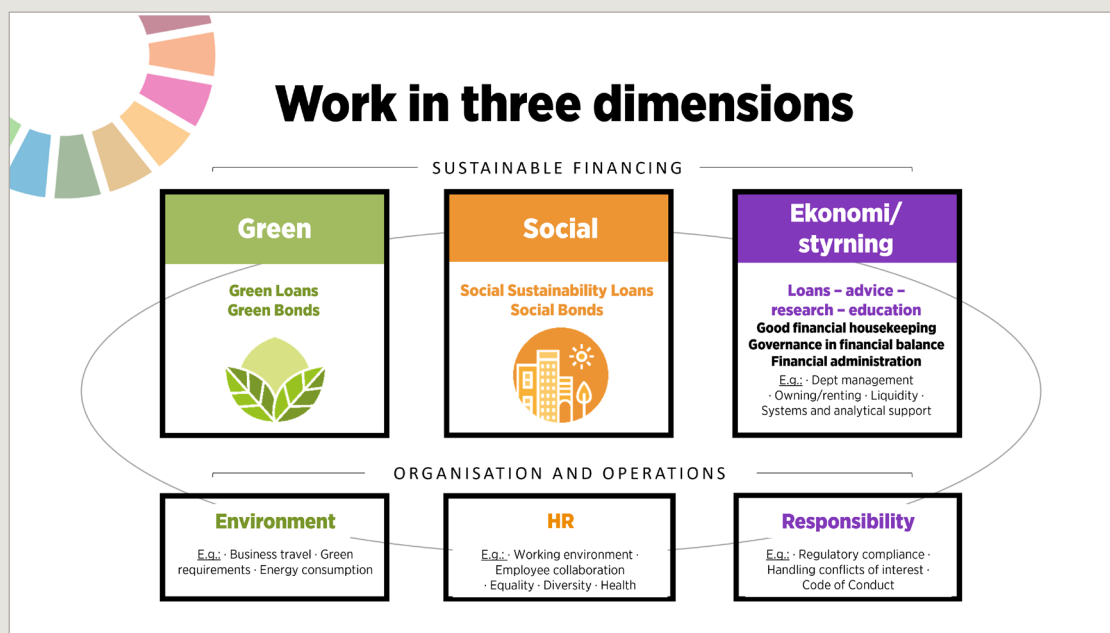
We maintain a continuous dialogue with those stakeholders who, in various ways, influence and are affected by our operations, to identify the sustainability issues with which the Group should work. Our dialogue with stakeholders involves meetings with members, customers and employee delegates, as well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

Swedish municipalities and regions are our most important stakeholder group. As members, they own and govern our operations, although, when they choose to borrow from us, they are also our customers. 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. The results of the latest stakeholder survey are included in the 2022 Annual Report.

As part of our preparations for new demands on sustainability reporting in accordance with the EU's CSRD Directive (*Corporate Sustainability Reporting Directive*) and to meet the requirement that the information submitted shall take the "double materiality principle" into account, the Company is planning a more comprehensive stakeholder survey. The new requirements regarding sustainability report are applicable for the Company as of the 2025 financial year.

## **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.



The sustainability work considers the environment and climate, social aspects and 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 framework and overarching objectives



### Vision

Finance the development of the local government sector and investments for a sound and sustainable society

### Owner directives

Take economic, social and environmental sustainability into account throughout the operations, in terms of both the direct and indirect effects.

### Climate plan

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



# Environmental and climate work

**Kommuninvest has continued its efforts to comprehend and value the financial impact of environmental and climate factors on local government borrowers, and has introduced an initial version of environmental and climate factors in its credit assessment.**

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 local government authorities have stated targets entailing climate-neutrality as early as in 2030 – the development of target-oriented investment plans is in progress. Investments in, for example, energy systems, traffic systems and property portfolios are affected

To reflect the current realignment process among members, Kommuninvest has adopted a climate plan stating that Kommuninvest shall 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.





Kommuninvest elects to follow Sweden's climate objectives as we represent the entire local government sector in financing matters and not all Swedish municipalities and regions have chosen to adopt more specific climate targets of their own with earlier deadlines than those set nationally.

Kommuninvest supports local climate efforts regardless of the chosen target date.

The target 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. In 2024, the ambition is to have established an exit value for greenhouse gas emissions in the loan portfolio.

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.

With regard to ESG risks, the Company has been working to identify and define the environmental and climatic factors with the greatest potential financial impact on its borrowers. At an initial stage, four factors have been indicated as more highly prioritised, two of which are categorised as physical risks (flooding, landslides and erosion, as well as polluted water or shortage of drinking water) and two as transitional risks (negative effects on water sources and/or incidence of water, as well as greenhouse gas emissions).

Key figures have been developed to monitor developments, in accordance with a method based on the EBA's guidelines and inspired by a dialogue with Kommuninvest's corresponding organisations in the other Nordic countries. Since the autumn of 2023, environmental and climate factors are integrated into the Company's credit approval and monitoring processes.

### 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 Miljöpris environmental objectives award for its contribution to the environmental objective of limiting climate impacts. At the end of the year, 645 (563) investment projects had been approved for Green Loans, corresponding to a total SEK 111.8 (99.9) billion in granted financing. Of the granted funds, SEK 79.4 (66.4) billion had been disbursed by the end of the year, having been financed through 11 Green Bonds outstanding for a value of SEK 77.0 (63.3) 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, with 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.

In 2022, the Company initiated efforts 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. In late 2023, a public remittance process was conducted with proposals for updated terms for Green Loans. The Company is addressing the proposals with the intention of publishing a new framework for Green Bonds in 2024.

### Direct environmental and climate impacts are low and decreasing

In addition to the measures being implemented to help decrease indirect emissions through the financial operations, continuously decreasing our own direct climate footprint remains a priority. In focus are the office operations, which are predominantly conducted on our own premises, and business travel. Installation of solar panels, new ventilation fans and replacing electrically powered cooling units with district cooling have helped reduce electricity consumption by 37 percent since 2021, and overall energy consumption by 8 percent. Business travel remains at significantly lower levels than before the pandemic, and the proportion of train journeys has increased. In 2023, the total climate footprint fell short of 1 tonne CO<sub>2</sub>e per employee for the first time, and was also below 100 tonnes CO<sub>2</sub>e for the operations as a whole.

# 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 financing offering means that essential welfare investments can be implemented in a more appropriate manner and at a lower cost 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, Kommuninvest has been working pro-actively with the health concept Sustainable Daily Life, seeking to promote a healthy lifestyle, with a balance between work, leisure and parenting.

## Societal commitment and local coordination

To meet stakeholder expectations regarding sustainability/ ESG and to enhance the impact of our efforts, we engage in relevant social issues and collaborate with others. Among other things, we are engaged in the strategic innovation programme *Viable Cities*, which focuses particularly on financing aspects for the 23 towns and cities working on Climate contract 2030. We are collaborating with Public Housing Sweden and the IVL environmental institute within the framework of a project developing a climate roadmap for public housing companies. We are also a member of the technical committee linked to the development of a Swedish standard for measuring electrical power output. We have also established cooperation with special-interest and sector organisations in the local government sector, such as SALAR and Swedish Water (Svenskt Vatten).

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, 20 (16) Social Sustainability Loans applications had been approved, corresponding to a total of SEK 6.7 (1.7) billion in granted financing. The volume of disbursed loans increased to SEK 2.1 (1.0) billion. The financing applications granted during the year comprised long-term initiatives in housing and living environments in Botkyrka and Enköping, a call centre in Tanum and a sports facility in Gävle.

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 considerable potential exists.

## Social factors in the credit process

A process has been initiated to examine the data available for assessing the social risks associated with the Company's borrowers. The purpose is to end the process regarding how these indicators affect members' financial position and, by extension, that of the company, to then develop a model for assessment of social risk in the credit process. The aim is to complete a first version of such assessment factors in 2024.



### A well-developed culture of measuring effects

Kommuninvest's members and customers have observed that social sustainability initiatives are measured, followed up and evaluated on a relatively small scale within the local government sector.

Through the application process for a Social Sustainability Loan, borrowers are given support in developing an "effect chain" by breaking down the long-term objective for a target group into planned initiatives, anticipated results and desired effects, see the illustration below.

Kommuninvest's long-term undertaking to request feedback on investments and social initiatives implemented means that Social Sustainability Loans also

contribute to continuity in review and possible systematic approaches in an area where the connection between what is carried out and what is achieved is not always obvious.

Given that Kommuninvest does not require the desired effects to actually be achieved, borrowers also have an opportunity to review and change initiatives if the results were not what had been desired and anticipated. Even in those cases where the desired results are not achieved, Social Sustainability Loans therefore have the potential to contribute to collective learning and to the development of the local social sustainability work.



*"Although we conduct a number of activities for our tenants, we rarely follow them up or measure their effects. We have now gained an opportunity to drum in a new procedure. This process 'forces' us to plan, document and follow up our initiatives. We hope that this process will help us work more systematically. It should be evident what worked well, what challenges remain and what we should avoid next time."*

Johan Anund, Social Housing Coordinator at Tanums Bostäder AB, from the application "Upgrading of the Højden Area in Tanumshede"

## Helping develop a culture of impact measurement

Kommuninvest's members and customers have observed that social sustainability initiatives are measured, followed up and evaluated on a relatively small scale within the local government sector.

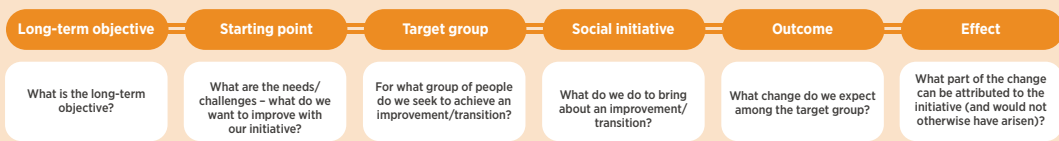
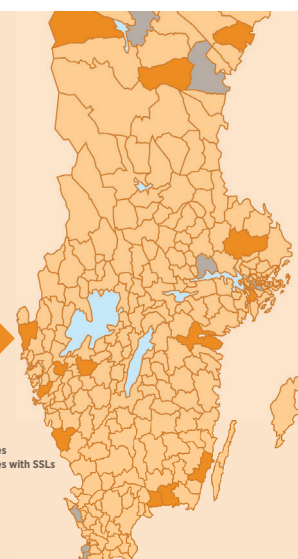
Through the application process for Social Sustainability Loans (SSLs), borrowers are given support in developing an "effect chain" by breaking down the long-term objectives for a particular target group into planned initiatives, anticipated results and desired effects, see the illustration below.

In Kommuninvest's long-term undertaking to request feedback on investments and social initiatives, Social Sustainability Loans contribute to continuity in review procedures and possible systematic approaches in an area where the connection between what is carried out and what is achieved is not always obvious.

*"Although we conduct a number of activities for our tenants, we rarely follow them up or measure their effects. We have now gained an opportunity to learn a new process that 'forces' us to plan, document and follow up our initiatives. We hope that this process will help us work more systematically. It should be evident what worked well, what challenges remain and what we should avoid next time."*

Johan Anund, Social Housing Coordinator, Tanums Bostäder AB, from the loan application "Upgrading of the Højden Area in Tanumshede"

● Member municipalities  
● Member municipalities with SSLs  
● Other municipalities





# 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 public 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
- 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 works long term to optimally fulfil 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 higher education.

Among other things, Kommuninvest has for several years partnered with the University of Örebro to promote research on the local government sector's debt management and financial conditions, and we finance both a chair and post-graduate studies. Kommuninvest is also part of the reference group affiliated with the university's Master's programme in Sustainable Business

## 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 2023, an updated advisory material was presented for those designing or revising a finance Policy in the local government sector. Several reports were also published on themes concerning local government debt and local government debt management, as well as a focus report on interest rate sensitivity and economic conditions in public housing.

## Reports from Kommuninvest's Research Working Group

Among other things, Kommuninvest's Research Working Group seeks to finance research projects assessed as interesting and significant and that address the challenges faced by the local government sector. Within the framework of this programme two new reports were published during the year – one on the spread of reforms in the local government sector and one on productivity trends in municipal companies. The research should be able to contribute to a more efficient utilisation of public resources.

## 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. Risk appetite is low and professional conduct, strict ethical requirements and good business practices are to permeate the operations.
- Clearly regulated requirements on matters of corporate governance, risk management and compliance, including in areas such as money laundering and anti-corruption.





- Integrated sustainability work, in terms of both direct and indirect impact.
- Commitment to relevant societal issues and coordination with others, to meet stakeholder expectations and increase the effect of our efforts.

#### **Ethics at the fore**

We shall run financially sound and sustainable operations. Both the Company's Sustainability Policy and Code of Conduct emphasise the importance of ethical and responsible action. 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 department works to monitor and control the Company's compliance with laws and other regulations. The department 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.

#### **Educational initiatives support our work**

Employees and managers at Kommuninvest are expected to participate in the educational courses that are offered to ensure that the Company as a whole, as well as its individual employees, have the knowledge required for the Company to be able to fulfil its assignment, including regulatory compliance. A distinction is made between the educational needs of new employees and those of other employees and managers, as well as needs for refresher courses. A predominant share of the courses offered in 2023, and even in the preceding year, focused on data security and cybersecurity, insider information, bribery and corruption, as well as money laundering and financing of terrorism. Between 83 and 96 per cent of the employees offered these courses, took them.

Data security and cyber security issues have gained renewed topicality following Russia's invasion of Ukraine in 2022. Efforts to further raise the company's preparedness include information presented at internal company information sessions, simulated *phishing tests* and *awareness training*.



# Sustainability indicators

## Sustainable financing

	Unit	2023	2022	2021
<b>Lending volume</b>				
Total lending to municipalities, regions, municipal companies, etc.	SEK, million	508,802.2	470,675.8	460,650.3
Share of the sector's financing	%	59.6	59.3	57.9
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.047	0.038	0.048
Green Loans, volume outstanding, disbursed	SEK, million	79,422	66,428	60,209
Green Bonds, volume outstanding	SEK, million	76,974	63,330	54,626
Green Loans, proportion	%	16%	14%	13%
Social Sustainability Loans, volume outstanding, granted (volume disbursed)	SEK, million	6,718 (2,135)	1,746 (1001)	614 (207)

## Environmental indicators – Kommuninvest Group

	Unit	2023	2022	2021
<b>Energy consumption</b>				
Total energy consumption (in buildings) <sup>1</sup>	kWh	516,958	536,811	561,117
– of which, electricity	kWh	203,528	248,268	325,657
– of which, heating	kWh	237,786	216,381	235,460
– of which, cooling	kWh	76,322	72,244	–
– of which, solar power	kWh	-20,942	-5,586	–
Total CO <sub>2</sub> impact of energy consumption (in buildings)	Tonnes	59	95	119
– of which, electricity consumption <sup>2</sup>	Tonnes	64	78	103
– of which, from heating <sup>3</sup>	Tonnes	1	19	16
– of which, solar power	Tonnes	-6	-2	–
Proportion of renewable energy in energy consumption of electricity	%	100	100	100
Proportion of renewable energy in energy consumption for heating	%	100	100	100
Proportion of renewable energy in energy consumption for cooling	%	100	100	–
Total office space	m <sup>2</sup>	2,217	2,217	2,217
Total energy consumption per square metre	kWh/m <sup>2</sup>	233	242	253
Total energy consumption per employee	kWh	4,971	5,478	5,611
Change in energy consumption, compared with the preceding year	%	-3.7	-4.3	8.2
<b>Resource usage</b>				
Purchased office paper	Tonnes	0.3	0.3	0.1
– of which sustainability labelled paper (PEFC)	Tonnes	0.1	0.1	0.1
Proportion of sustainability labelled office paper, of total purchases	%	33.3	33	100
Total paper consumption per employee	Kg	2.5	2.7	1.1
Paper recycling, incl. purchased and delivered paper	Tonnes	1.8	2.1	2.0
CO <sub>2</sub> emissions avoided through recycling <sup>4</sup>	Tonnes	3.6	3.7	2.3
<b>Business travel</b>				
Total business travel <sup>5</sup>	Km	388,678	494,654	77,515
Total business travel per employee	Km	3,737	5,047	775
Total air travel	Km	166,973	275,250	14,899
Rail travel in Sweden	Km	194,386	203,382	44,504
Total CO <sub>2</sub> emissions from business travel	Tonnes	38	61	5
CO <sub>2</sub> emissions from business travel, per employee <sup>6</sup>	Tonnes	0.37	0.62	0.05
<b>Total climate footprint</b>				
Total climate footprint of the operations <sup>7</sup>	Tonnes	97	156	124
Total climate footprint per employee, CO <sub>2</sub> e	Tonnes	0.9	1.6	1.2

1) Gross solar production: 21,621 kWh (reading on 11 January 2024) of which 20,942 kWh was used for the building's own energy consumption, while 679 kWh was delivered to the grid.

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

3) The climate impact from heating, calculated applying the latest available emissions factor for district heating in the Municipality of Örebro for 2022 of 131 g CO<sub>2</sub>e/kWh, in accordance with the principles for impact reporting applied by Kommuninvest for Green Bonds (Nordic Position Paper on Green Bonds Impact Reporting). The reported values are within Scope 2, in accordance with the Greenhouse Gas Protocol.

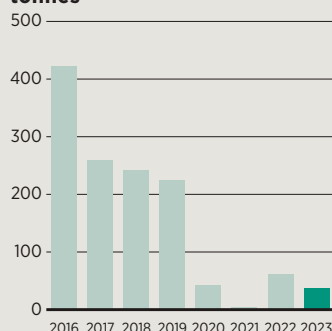
4) The emissions avoided through recycling over the year break down between 1577 kg of electronics, 556 kg of plastics, 733 kg of paper, 579 kg of iron, 26 kg of hazardous waste and 150 kg of alternative raw materials. Source: Stena Recycling. Kommuninvest does not include emissions avoided by recycling resources, as the climate impact of the purchases in question has not been calculated.

5) The 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 CO<sub>2</sub>



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

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

Business travel constitutes a significant part of the Group's total climate impact. Following highly limited travel during the Corona pandemic, a certain normalisation has occurred over the past two years, albeit at significantly lower levels than prior to the pandemic. The operations' total climate footprint amounted to 97 (156) tonnes of CO<sub>2</sub>e, corresponding to 0.9 (1.6) tonnes of CO<sub>2</sub>e per employee.

## Generating financial value – Kommuninvest Group

	Unit	2023	2022	2021
<b>Total revenue</b>				
Interest revenues	SEK, million	20,843.8	4,914.0	998.3
Other operating income	SEK, million	14.9	12.0	10.4
<b>Distributed value</b>				
Interest expenses	SEK, million	-19,853.4	-4,248.1	-317.5
Commission expenses	SEK, million	-13.1	-11.7	-11.4
Salaries and emoluments	SEK, million	-85.0	-78.1	-81.8
Pension costs, training costs and other personnel costs	SEK, million	-28.6	-25.9	-32.5
Social security contributions and payroll tax on pension expenses	SEK, million	-30.3	-27.3	-29.0
Resolution fee	SEK, million	-17.1	-25.0	-23.0
Other operating expenses	SEK, million	-123.9	-105.9	-106.2
Tax	SEK, million	-13.8	13.9	-0.1
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
<b>Efficiency</b>				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.047	0.043	0.048

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

## Employee statistics – Kommuninvest Group

	Unit	2023	20221	2021
Total number of employees, including those in part-time and probationary employment <sup>1</sup>	Number	109	105	118
Proportion of women/men – total	%	42/58	40/60	41/59
Proportion of women/men – all managers	%	53/47	36/64	38/62
Proportion of women/men – Executive Management Team	%	56/44	43/57	43/57
Average number of full-time annual employees (based on hours worked)	Number	104	98	100
Employment period <2 years (based on permanent employees)	%	29	17	17
Employment period 2–4 years	%	20	17	26
Employment period 5–9 years	%	19	33	27
Employment period >10 years	%	32	33	30
Personnel turnover	%	12	15	9
Participation in employee survey	%	92	96	89
Proportion of employees with university education	%	93	92	89
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	95	87	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 104 at the end of 2023.

# 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 2023 on pages 12–21 and that it is prepared in accordance with the Annual Accounts Act.

## **The scope of the examination**

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

## **Opinion**

A statutory Sustainability Report has been prepared.

Stockholm

KPMG AB

Tobias Lilja

*Authorised Public Accountant*

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# Board of Directors' Report

- Comparison figures relating to the income statement refer to the preceding year (1 January – 31 December 2022), unless otherwise stated. Comparative balance sheet and risk related figures relate to 31 December 2022 unless otherwise indicated.
- Comments on the income statement, balance sheet and statement of changes in equity are provided in connection with the statements on pages 49, 51 and 53 thereof.
- In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Kommuninvest i Sverige AB has chosen to prepare the statutory sustainability report separately from the annual report. The Sustainability Report is available on pages 12–21 of this document.

# Sustainability and efficiency – the foundation of our assignment

**Kommuninvest is assigned with delivering competitive financing solutions to Swedish municipalities and regions, both today and in the future. This strategy sets the direction for what the Company seeks to achieve in the next few years and what is required to succeed.**

## Focus of the operations

Kommuninvest has grown and faces increased demands from members, customers, investors and public authorities. Our work processes and systems support were originally designed for smaller operations and we therefore need to modernise and develop our core business and its support processes. Efficient data management is decisive for decision-making and business development. We are endeavouring to improve our capacity, both in terms of accessing data and managing it efficiently. The goal is to efficiently meet today's and tomorrow's external demands while reducing our operational risk.

In a time in which the field of sustainability is developing rapidly, particularly in the financial market, we face increased regulatory and reporting requirements. Today, the Company is expected to take responsibility for the entire value chain in which we operate, entailing an increased requirement to clearly show investors how their credit is used. By realising the strategy, we strive to build long-term cost-efficient operations, although this will also require major investment over the upcoming years.

## Highlights of the year

- Significant progress achieved in demand for Social Sustainability Loans by means of increased customer processing of the product.
- A remittance was issued regarding the adaptation to the taxonomy of the green framework.
- E(sg) factors were implemented in the Company's credit process.
- A target scenario was formulated for the IT environment with regard to our core business and its support processes. This is to more effectively meet today's and tomorrow's external demands with reduced operational risk.
- The procurement of new Treasury and ERP systems was initiated.
- New data warehouse technology was tested and selected and a strategy was prepared for the Company's future data management.
- SOFR replaced LIBOR as the reference rate in outstanding derivative contracts.

## 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? <b>LOCAL GOVERNMENT SECTOR LENDERS</b>	What do we offer? <b>SUSTAINABLE AND EFFECTIVE LOAN FINANCING</b>	What is our approach? <b>A STRAIGHTFORWARD ORGANISATION THAT GENERATES VALUE</b>
<ul style="list-style-type: none"> <li>• By understanding the local government sector's long-term challenges, we contribute to sustainable municipalities and regions</li> <li>• With our focus on loan financing, we shall be the entire local government sector's self-evident choice for financial management</li> <li>• Additional relevant external actors shall know of us and have confidence in how we work</li> </ul>	<ul style="list-style-type: none"> <li>• We must work to ensure that all customers eligible to receive a sustainable loan do so</li> <li>• We shall safeguard cost-efficient loan financing for the local government sector</li> <li>• We shall help ensure that all customers are able to securely and easily make their own short and long-term borrowing decisions</li> </ul>	<ul style="list-style-type: none"> <li>• We shall be a cooperation-oriented organisation focused on simplicity, generating value and an overarching perspective</li> <li>• We shall be an attractive employer, focused on societal benefit and that invests in learning and expertise</li> </ul>

## Multi-year summary

Lending totalled SEK 511.9 billion at the end of 2023, having grown by 6.1 percent over the year. This is to be compared with an annual growth of 7.7 percent over the past five years.

The Company's share of the local government sector's external borrowing has increased from 59 percent to an estimated 60 percent over the same period. For multi-year data in table format, see page 5.



# Reduced borrowing needs

**Good liquidity in municipalities and regions at the start of 2023 lessened the need of loan financing over the year, despite increased investment. Local government borrowing increased by 4 percent to SEK 851 (819)<sup>1)</sup> billion. Kommuninvest financed 60 (59) percent of local government sector total borrowing.**

The combination of extensive renovation needs for homes and properties built in 1965–1975, as well as 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. Following the record level noted in 2019, investment volumes have declined in real terms. Although Kommuninvest's assessment is that investment will remain high, in relation to the local government sector's revenues, it will be lower than in the late 2010s. While maintenance and green realignment needs remain, lower population growth will entail lower investment in welfare.

Despite weaker cash flows, the degree to which investments were self-financed remained high in 2023. Local government sector borrowing needs remained low in 2023. Kommuninvest's lending has continued to grow and the

market share at the end of 2023 amounted to 60 (59) percent.

Kommuninvest grew strongly after the financial crisis of 2007–2008 and has since continued to increase its market share. In 2017–2023, Kommuninvest's market share increased from 50 percent to 60 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. Some 20 municipalities and regions, as well as a handful of municipal companies currently borrow directly from the capital market. The issuance of local government bonds and commercial papers accounted for 29 percent of the sector's total financing in 2023, a share that has gradually declined in recent years.

## Forms of local government funding

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

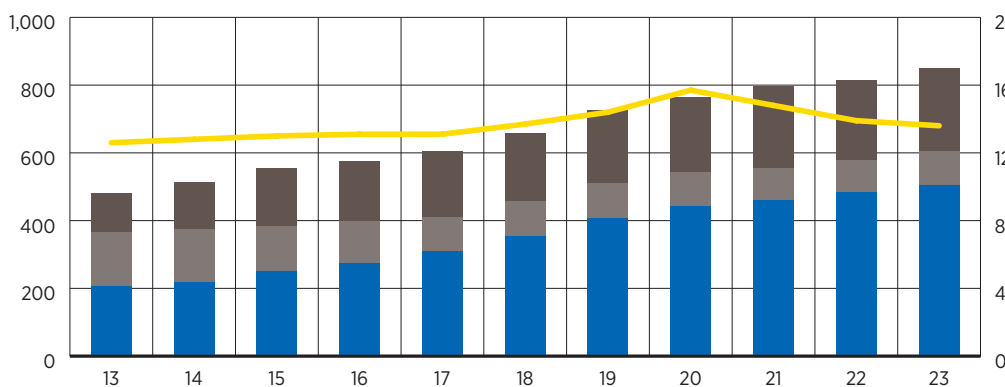
- funding via Kommuninvest
- funding via the bank sector or other bilateral parties
- funding via the money and bond markets

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 2023, nor the municipalities' and regions' own annual reports were available. Values and shares for 2022 have been adjusted in accordance with the municipalities' and regions' own annual reports.

## The local government sector's borrowing and forms of financing

2013–2023

SEK bn



The local government sector's funding over the past decade is characterised by an increased proportion of funding via Kommuninvest and proprietary market programmes, as well as a reduction in funding via the banking sector. Data for 2023 are based on estimated total borrowing.

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

# Continued lending growth

Kommuninvest's lending grew to SEK 511.9 (482.5) billion in nominal terms in 2023, representing a growth rate of 6.1 (4.7) percent. In a stressed economic situation, certain municipalities and regions chose to review their investments. Nonetheless, weakened liquidity, as well as fundamental investment needs, meant that local government sector borrowing maintained a relatively high level. Kommuninvest's market share, increased somewhat to 59.7 (59.3) percent. At the end of 2023, Kommuninvest had a total of 1,029 (1,027) 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.

## Continued growth

External developments – with high inflation, rising interest rates and a weakening economy – affected municipalities and regions negatively over the year. A lower population growth rate affected also impacted investment needs. Certain types of investments, such as new production of public housing, were reduced.

Even in this environment, Kommuninvest's lending continued to grow at good pace. Lending growth was stronger than in 2022. Fundamentally, there were extensive needs for maintenance and upgrading in, for example, properties and infrastructure. This generated investment. In itself, a weakened liquidity situation in several parts of the local government sector also helped push loan financing up to a relatively high level.

At the end of the year, Kommuninvest's lending amounted to SEK 511.9 (482.5) billion in nominal terms. Accordingly, lending growth ended up at 6.1 (4.7) percent. Market share increased somewhat to 60 (59) percent. New lending for the year and renegotiations of existing loans, 86 (86) percent were loans with capital tied up for more than one year and 14 (14) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 35 (34) percent of volumes. At the end of 2023, the lending portfolio consisted

of 57 (44) percent fixed-interest loans and 43 (56) percent variable-interest loans.

## Strong development for Green Loans

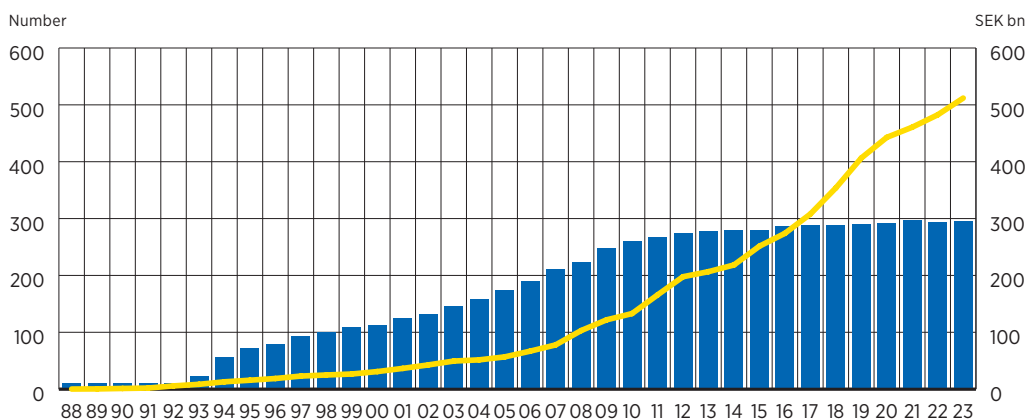
During the spring, Green Loans passed two key milestones: SEK 100 billion in loan volume and 600 approved projects. At the end of 2023, SEK 111.8 (99.9) million in Green Loans had been granted. The corresponding amount for Green Loans disbursed was SEK 79.4 (66.4) billion. The proportion of Green Loans in relation to total lending amounted to 16 (14) percent. More information about Green Loans can be found on pages 10–11 and on page 20.

## Progress for Social Sustainability Loans

In June, Social Sustainability Loans achieved a key step forward when Botkyrkabyggen, a public housing company in the Municipality of Botkyrka, south of Stockholm, was awarded SEK 3.8 billion for a major long-term societal initiative in Alby, Fittja and Norsborg. This contributed to a considerable increase in volume. By the end of 2023, SEK 6.7 (1.7) billion in Social Sustainability Loans had been granted, distributed between 20 (16) different projects and 16 (14) members. The corresponding amount for disbursed Social Sustainability Loans was SEK 2.1 (1.0) million. More information about Social Sustainability Loans can be found on pages 16–17 and on page 20.

## Number of members and lending volume

1988–2023



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





## Social Sustainability Loan facilitates large-scale social investment for Botkyrkabyggen

**In 2023, municipal housing company Botkyrkabyggen was granted SEK 3.8 billion through Kommuninvest's Social Sustainability Loans. This involves a major long-term social initiative in the areas of Alby, Fittja and Norsborg.**

Botkyrkabyggen's initiative combines a broad physical investment with a systematic social initiative, in line with the Social Sustainability Loans arrangement. The physical investment primarily comprises the renovation and development planned in Alby, Fittja and Norsborg for the period 2023–2032, as well as the financing of the existing property portfolio in these areas. According to the Segregation Barometer produced by the Swedish National Board of Housing, Building and Planning, several of the areas in which Botkyrkabyggen conducts its operations are among the most socio-economically exposed areas in Sweden. Alby, Fittja and Norsborg are also included in the list of particularly exposed areas produced by the Swedish Police.

*"I would venture to say that the matter of renovation is rather apparent. But I should also probably add that we are working systematically and in an integrated manner on the issue of sustainability. It's not simply a sideshow to our regular operations,"* says Chris Österlund, CEO of Botkyrkabyggen.

She also explains that the widely reviled "million homes programme" of the 1960s and 70s has its advantages when renovating or upgrading, particularly with regard to recycling. Botkyrkabyggen will also be continuing its work for safer stairwells and performing site controls to counteract workplace crime in its renovation projects. Accordingly, the social initiative comprises Botkyrkabyggen's management model for sustainable business, which combines social, ecological and economic sustainability. It entails allowing tenants to stay in their homes during the renovation work, only renovating what is necessary, recycling materials and furnishings that work well, involving and engaging tenants, upgrading to a standard that the tenants are willing to pay for, as well as offering options for tenants who want them.

*"Of course we should not forget the company's equality initiative 'Qvinna i Botkyrka' (Woman in Botkyrka). There are women living in our areas for whom the labour market is very remote. We offer them an opportunity to take a cleaning job with us to free themselves from unemployment and to start earning money of their own. These individual women gain work experience with us, avoid seeking benefits and can start to regain control of their lives. And that benefits society. The quality of the cleaning is also higher – and it has also turned out to be a little cheaper for us. Which also benefits our tenants,"* Chris Österlund concludes.

*Botkyrkabyggen is the Municipality of Botkyrka's wholly owned public housing company. The company owns and manages some 10,800 apartments. About one in three residents in Botkyrka live in housing provided by Botkyrkabyggen. Botkyrkabyggen has about 150 employees.*

# Significant borrower with highest credit rating

Kommuninvest borrows money in capital markets in Sweden and internationally to fund its lending to municipalities and regions. The funding operations functioned well over the year, with demand for Kommuninvest's bonds being favourable. The members' joint and several guarantee makes Kommuninvest a safe placement option for investors. At the end of the year, total funding amounted to SEK 550.7 (547.5) billion in nominal terms.

## New funding by currency\*

2023 (2022)

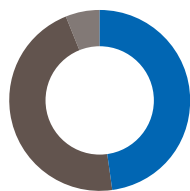


■ SEK 53 (50) %  
■ USD 34 (46) %  
■ EUR 13 (4) %  
■ JPY – (5) %  
■ AUD – (0) %

\*excl. commercial paper funding

## New funding by programme\*

2023 (2022)



■ Swedish Benchmark Programme 46 (48) %  
■ Benchmark funding, other currencies 31 (46) %  
■ Green Bonds 23 (6) %  
■ Uridashi – (5) %

\*excl. commercial paper funding

## Liquidity strategy

Kommuninvest's strategy builds on its presence in three strategic funding markets, matching of assets with liabilities and a highly liquid liquidity reserve. 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 the current market view and liquidity preparedness requirements.

During the year, market conditions have been marked by geopolitical unrest and rising interest rates due to high inflation. The Company's liquidity strategy worked well in 2023. Access to liquidity has been good and Kommuninvest has been able to finance its customers' funding needs on favourable terms, despite occasionally challenging market conditions.

## Focus on benchmark funding

Over the year, funding totalling SEK 147.2 (142.6) billion was raised in bonds with maturities of more than one year. Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 54.2 (66.0) billion. Previously issued funding of SEK 12.8 (10.3) billion was repurchased and SEK 173.5 (177.6) billion matured.

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 Swedish municipalities and regions.

## 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 customers and investors can be met, even in periods of stress in the financial markets, Kommuninvest maintains a liquidity reserve. This reserve consists of short-term liquid investments with high credit ratings. The reserve amounted to SEK 44.3 (62.1) billion at the end of the year.

## Reserve with high credit quality and low risk

Kommuninvest maintains a liquidity reserve, the purpose of which is to safeguard favourable payment and lending capacity, including during periods of high financial stress. The scale of the liquidity reserve is adapted according to upcoming 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 39 months at most. Accordingly, the liquidity reserve is designed to ensure preparedness under turbulent market conditions.

## Asset management

In 2023, asset management activities were characterised by a liquidity reserve comprising highly tradable assets of superior credit quality. Direct investments are made mainly in securities issued by sovereigns or central banks, multilateral development banks and subsidised lenders<sup>1</sup>. At the end of 2023, 92 (97) percent of the reserve was invested in securities with the highest possible creditworthiness. Of the reserve, 72 (89) percent consisted of investments in securities issued by issuers from Sweden.

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

## Investment rules for the liquidity reserve

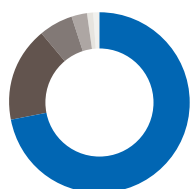
- The liquidity reserve may have a maximum average maturity of 12 months
- The maximum maturity of individual investments is 39 months.

For further information, see the Risk and capital management section on pages 33–37 or Kommuninvest's website, [www.kommuninvest.se](http://www.kommuninvest.se).

<sup>1</sup>) 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 sister organisations in the other Nordic countries.

## Liquidity reserve distributed by country

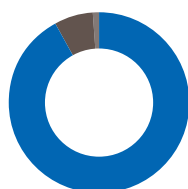
2023 (2022)



Sweden 72 (89) %  
Germany 17 (4) %  
Supranationals 6 (5) %  
Finland 3 (1) %  
UK 1 (1) %  
Denmark 1 (-) %

## Liquidity reserve distributed by rating category

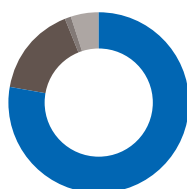
2023 (2022)



AAA 92 (97) %  
AA 7 (1) %  
A 1 (2) %

## Liquidity reserve distributed by issuer category

2023 (2022)



National governments or central banks 78 (88) %  
Credit institutions (subsidised lenders) 16 (4) %  
Credit institutions (bank balances) 1 (3) %  
Multilateral development banks 5 (5) %

# Change in times of external turbulence

**The external turbulence has affected most of us in different ways. Stability and robustness increase in importance when everyday life is increasingly pervaded by volatility and uncertainty. 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 and stability combined with compliance and flexibility 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 creating a stable organisation.

Over the year, the organisation has initiated a review of the Company's strategic orientation and overall targets and has prioritised which main projects are to shape the work ahead. The purpose is to further increase customer benefit, while meeting new regulatory requirements, as well as expectations from members and other actors. Within sustainability, in particular, there are opportunities to meet the new requirements of the taxonomy while also generating new benefits for customers and members. The improved process surrounding the Company's operational governance will be further refined in 2024 to establish conditions for greater clarity and enhanced product and target-based management.

## Strategic competence supply

The realignment process pervading 2022 and 2023 entailed 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.

With a series of ambitious development projects under way, including major system transitions, establishment of a data warehouse and the integration of sustainability principles into the operations, the Company faces an exciting period. Combined with increasing requirements from regulations in areas such as sustainability and information security, these challenges were in considerable focus during the year. The starting point has been to prepare the organisation for the future by ensuring effective skills supply and development. This strategic approach serves to safeguard ongoing success, both in our day-to-day operations and in our development projects.

Over the past year, as the first step in a multi-year initiative, the company has implemented a range of skill-enhancement measures. These efforts have encompassed both basic and advanced financial knowledge, development of processes, AI and its application, as well as data security and cybersecurity. Additional developmental steps are planned for the coming year, in these and related areas.

## Employee survey 2023

Overall, the results of the 2023 employee survey were highly positive and strong.

- ESI (Employee Satisfaction Index) 75 (+3)
- ELI (Employee Loyalty Index) 82 (+4)
- eNPS (Employee Net Promoter Score) 54 (+16)

The proportion of satisfied and loyal employees rose from 88 percent to 91 percent and the proportion who would recommend Kommuninvest to others rose by 8 percentage points to 96 percent.

In the survey, the social and organisational work environment was identified as an area for improvement, particularly with regards to the clarification of roles, responsibilities and authorisations. Measures to address these matters were initiated in the second half of 2023 and are expected to gradually bring greater clarity moving forward.



**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 2023, equity in the Company amounted to SEK 11,055.5 (10,168.7) million, following Group contributions of SEK 388.4 (14.6) million paid to the Kommuninvest Cooperative Society. The total capital base was SEK 10,757.1 (9,909.9) million, which gave a total capital ratio of 354.9 (454.1) percent.**

At the end of the period, Kommuninvest's total assets amounted to SEK 568,911.1 (553,256.5) million. Lending to municipalities and regions accounts for the bulk of the assets and amounted to SEK 508,802.2 (470,675.9) million at the end of the year.

## Equity

As of 31 December 2023, equity amounted to SEK 11,055.5 (10,168.7) million.

On the closing date, the share capital amounted to SEK 10,175.0 (9,475.0) million, divided between 101,750,000 (94,750,000) shares. The total share capital is attributable to the members of the Society and no shares are available for trade.

## Proposed distribution of surplus for 2023

Pending a decision by the Annual General Meeting of the Society, the Society will distribute a surplus of SEK 373 million for financial year 2023. No surplus was distributed for the preceding year as the taxable result for that year was negative.

## 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 10,757.1 (9,909.9) million, entailing a core Tier I capital ratio of 354.9 (454.1) percent. The Company's capital base consists solely of Tier I capital and the total capital ratio also therefore amounts to 354.9 (454.1) percent. See also Note 3.

At the close of 2023, the Company had a leverage ratio of 20.2 (14.2) percent.

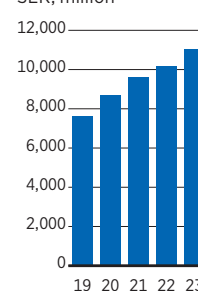
## Rating

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody's. In December 2023, 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 to meet future regulations.

Kommuninvest also receives high so-called ESG ratings from a number of players, including ISS-oekom, MSCI and Sustainalytics. The assessments show that Kommuninvest is considered to belong to the group of financial institutions whose operations have a low exposure to sustainability risks.

## Equity

SEK, million



## Comments on the accounts

Pages 49, 51 and 53 present comments to the income statement, balance sheet and statement of changes in equity. These comments form part of the Board of Directors' Report.

# Proposed distribution of earnings

*The Board of Directors proposes that:*

Net profit	355,201,137
Profit or loss brought forward	495,526,395
<b>Total</b>	<b>850,727,533</b>

*Be appropriated as follows:*

To be carried forward	850,727,533
-----------------------	-------------

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 354.9 (454.1) percent, compared with the requirement, including buffer requirements and the specific capital base requirement, of 87.3 (85.9) percent. The leverage ratio amounts to 20.17 (14.23) 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 10,757.1 (9,909.9) million. The risk-based capital base requirement amounts to SEK 242.5 (174.6) million and the capital base requirement for the leverage ratio amounts to SEK 1,600.1 (2,089.0) million.

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 388.4 (14.6) 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 assignment. Presented below is a comprehensive overview of the Company's targets, principles and methods for managing risk.**

## Risk management and risk exposure in 2023

High inflation and increased interest rates affected the Company's risk situation in 2023. The stability of the banking system deteriorated early in the year, triggering a bank crisis in both the US and Europe. It was possible to avoid a financial crisis through measures taken by national authorities.

The world's leading central banks, including the Swedish Riksbank, raised their key rates to counteract excessive inflation. Combined with general market unrest, this has contributed to rising market interest rates on both short and long loan maturities.

In this new economic situation, municipalities and regions face economic challenges, with regions being affected most. Inflation, as well as increased pension and interest expenses are factors contributing to the sector being expected to report a deficit for 2023.

Kommuninvest's limited risk appetite entailed a favourable resilience to the turbulence in the financial markets during 2023.

## 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 that is at no time greater than necessary in meeting the purposes of the operations and the application of the Ownership Directive. The risk level may not exceed a permissible level of risk-taking for any individual member in accordance with the Swedish Local Government Act. For an overview of the types of risks that Kommuninvest regularly manages and assesses, see page 37.

## Risk policy

The Company's risk management is based on the Board of Directors' risk policy. In recent years, this has been based on four areas of limitation (pillars): capital, net profit, liquidity and confidence. Each of the pillars has had an established qualitative risk appetite against which all risk is measured. The risk appetites has explained the level of risk to which the Board is prepared to expose the Company for the purpose of fulfilling the assignment from the owners. The level of risk appetite is determined by factors including financial position, growth targets, market conditions for the given time period and whether efficiency gains can be achieved when risk-taking changes. The risk strategy is part of the Company's risk framework, which encompasses the Board of Directors' fundamental instruments of operational governance and good internal control. The risk policy was revised in late 2023. The amendments will be implemented during 2024, having an impact over the year, without materially impacting the Company's risk-taking. Detailed below is the Company's risk management as it looked in 2023.

## 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 relations, such as stronger growth in lending than forecast. The scale of the capital target in quantitative terms is determined annually within the framework of the Company's internal capital and liquidity assessment (ICLA).

## Net profit

The Company has no vested interest in generating profit. Its purpose is to provide economic benefit to members and, following any necessary consolidation, profits accrue to the members. Pricing is based instead on the requirements for financial results stated in the ownership directives. These requirements mean that the margin between funding and

Risk declaration				
<b>RISK DECLARATION</b>	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.			
<b>PILLAR</b>	<b>EQUITY</b>	<b>NET PROFIT</b>	<b>LIQUIDITY</b>	<b>CONFIDENCE</b>
<b>RISK APPETITE</b>	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.

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**

Overall responsibility for the control and follow-up of the Company's risk framework rests with the Company's CRO. The manager of each individual area of operations is responsible for risk management and control within those operations. Forward-looking and historical analyses are used to ensure that the Company identifies, assesses and measures risks correctly.

The body addressing changes in the limits applied to investment and derivative counterparties, to members, as

well as other credit issues requiring decisions by the Board of Directors or the CEO is the Credit Group. 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 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. The Company initiated a review of its decision-making forum, which may lead to changes over the upcoming years.

Within the Company there are three independent control functions: the Risk and Control department, Compliance and the Internal Audit. Risk and Control and Compliance functions form the Company's second line, while the internal audit is the Company's third line. The three different lines are visualised in the organisational chart on page 35.

#### *Risk and Control*

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

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

### Office support

The company's regulatory compliance department, headed by our Chief Compliance Officer, is a control and support function that is independent and organisationally separated from the functions and areas that it shall monitor and control. The regulatory compliance department identifies, measures, analyses and reports on regulatory compliance risks. The Chief Compliance Officer is appointed by, and reports directly to, both the CEO and the Board of Directors on regulatory compliance matters. Among other things, the Chief Compliance Officer is responsible for monitoring and controlling regulatory compliance in the licensed operations and provides advice and resources for the operations, executive management and the Board of Directors on legal matters and other regulatory issues. This also includes verifying and assessing the suitability and efficiency of the procedures and measures taken to minimise the risk that applicable rules are not adhered to. Also included is a specially designated role as the central manager responsible in accordance with the regulations concerning money laundering and financing of terrorism (CFA).

### Internal audit

The Company's internal audit, which is outsourced to an external party, is an independent review function that reports to the Board of Directors. The internal audit is responsible for evaluating risk management, the Company's control and governance processes and for the operations being conducted in accordance with the Company's internal regulations. The internal auditor reports to the Board of Directors and the President and CEO on an ongoing basis. Each year, the Board

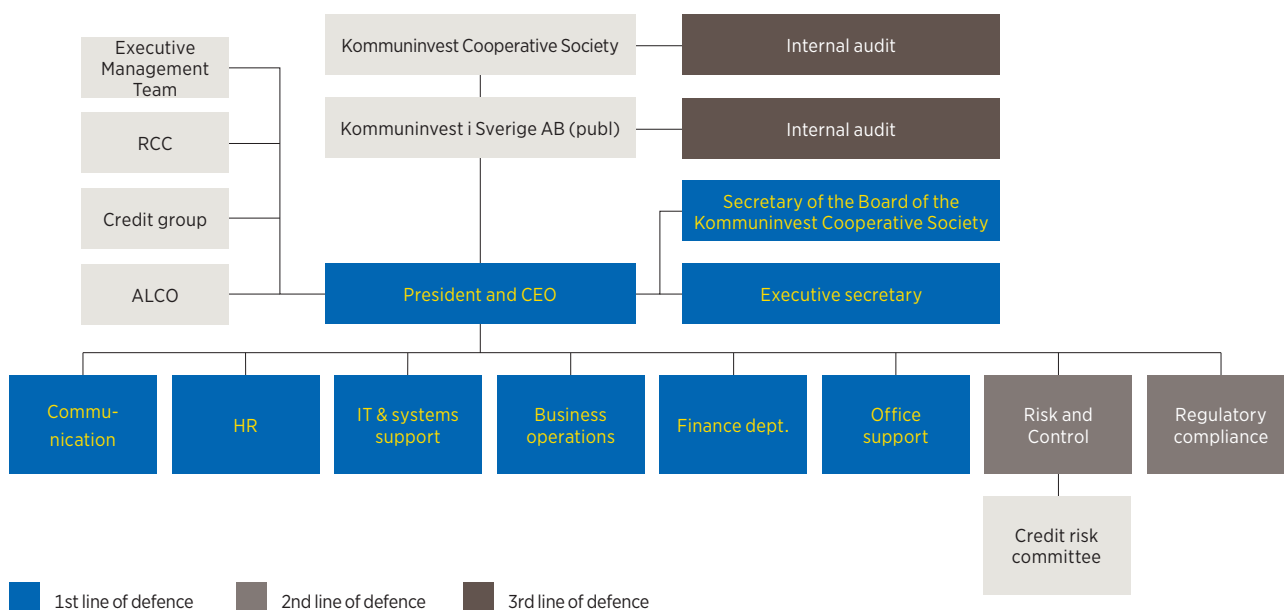
of Directors establishes a plan for the work of the internal audit. The President reports to the Board on measures implemented as a consequence of the internal audit unit's reports.

### Risk management

To keep the operations within the established risk appetite, risk appetite indicators or other measures are applied, limiting the Company's risks. The risk appetite indicators are quantitative and designed to support the established risk appetite within each pillar. The level of the risk appetite indicators are dependent on both Company-specific factors (financial position, strategic targets, legal requirements, risk exposure, etc.), as well as on expected market conditions. Risk appetite indicators are 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 37 defines all of the risk categories managed by the Company. A detailed description of how the Company handles each risk can be found in Note 3.

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



### Capital management

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

Kommuninvest is required to comply with the Supervisory Regulation (EU) No. 575/2013, also known as the CRR (Capital Requirements Regulation), which is directly applicable in Sweden and the Capital Adequacy Directive EU 2013/36, which is implemented in Sweden through legislation and regulations issued by 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, Finansinspektionen (the Swedish Financial Supervisory Authority) announced its adoption of an amended application of the capital requirements for Swedish banks to adapt these requirements to the EU's bank packages. Today, Finansinspektionen determines specific capital base requirements in Pillar II. 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 guidelines are stated regarding risk-based capital requirements and leverage ratio capital requirements. Risk-based capital requirements and guidelines are stated as a percentage of risk-weighted assets, leverage ratio capital requirements are stated as percentages of the exposures. The Pillar II guidance is 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 3. 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. At the Annual General Meeting of the Society in April 2020, a new plan for Kommuninvest's build-up of capital for 2021–2024 was adopted. The plan makes it possible for the Board of

Directors of the Society to request approximately SEK 1 billion annually from the Society's members until 2024. Kommuninvest's plan for building up capital in 2025–2028 is to be adopted at the Annual General Meeting of the Society in March 2024.

### *Capitalisation 2023*

Over the year, the Society's members increased the participation capital in the Society by SEK 902 million. In October, the Society acquired shares in the Company for SEK 840 million, at a premium of 120 percent. Consequently, the share capital in the Company increased by SEK 700 million and unrestricted equity increased by SEK 140 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, is applied within the EU. The leverage ratio has been set at 3 percent and will be directly applicable to Kommuninvest via the Capital Adequacy Regulation (EU) 2019/876 of 20 May 2019. The leverage ratio is defined as the ratio between Tier I capital and total exposure in assets and commitments. The leverage ratio has been reported to the relevant authorities since 2014.

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

## 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.



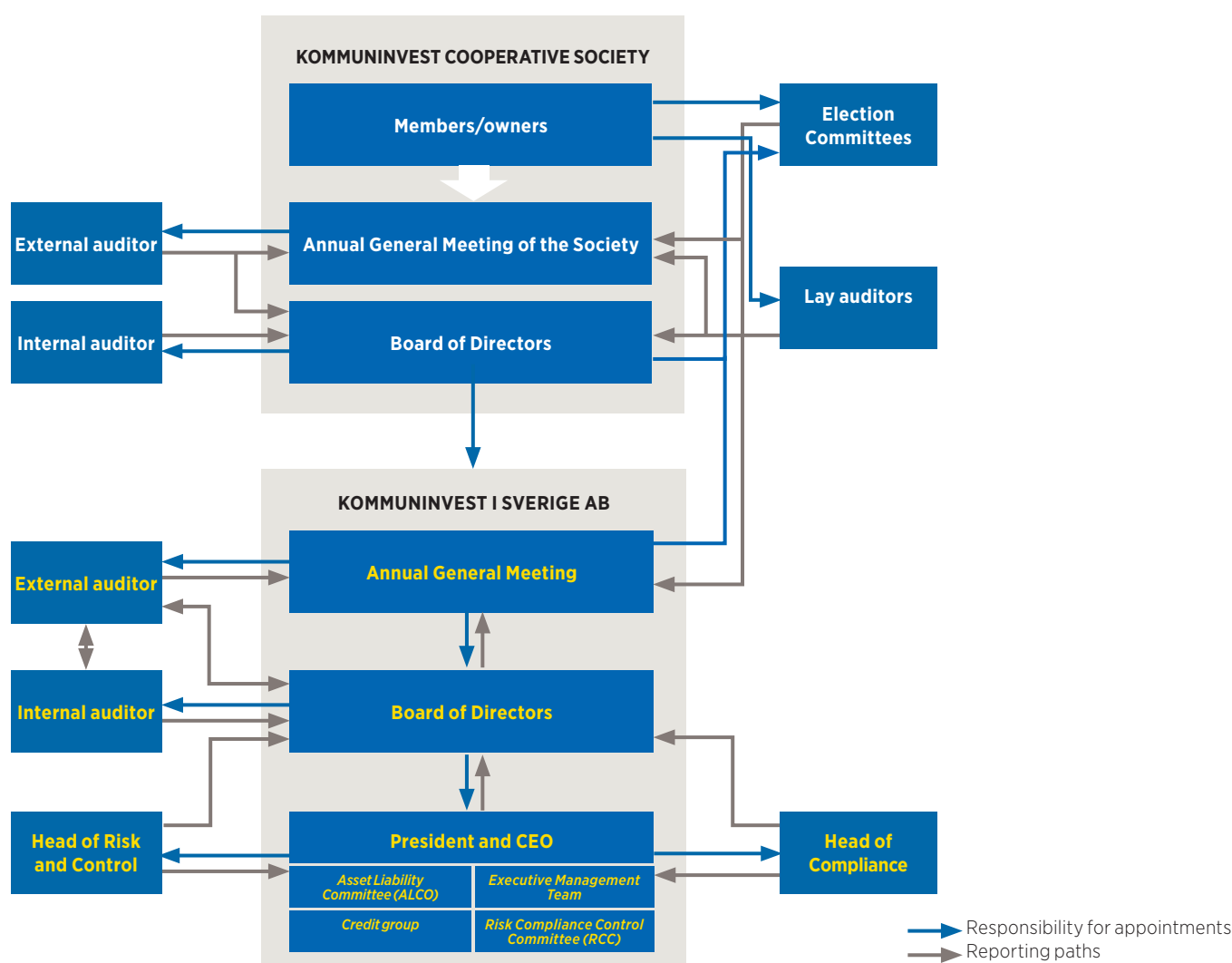
# Focus on governance and control

**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, 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 CEO who manages the day-to-day administration 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 of the Society, each member has one vote.

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

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

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

### Targets for operations

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

### Remuneration principles

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

Remunerations shall engender conditions to attract, retain and motivate employees so that operations can be conducted in an optimal manner. The basic principle is that remunerations and other terms of employment should be in-line with the market and should consist solely of fixed wages. 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.

### More information about Kommuninvest's corporate governance

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

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

### Audit Committee

Within the Company, the tasks of an Audit Committee are performed by the full Board of Directors. In 2023, the Audit Committee met on four occasions. The items on its agenda included the 2022 Annual Report, a risk control of the 2022 annual financial statements, the annual report presented by the external audit, the 2022 Year-end Report, ICLA 2023 – 2027, combined assurance 2022, reports presented by the internal audit and the internal audit's annual plan for 2024, the 2023 interim financial reports, the Audit Report and annual plan presented by the external audit, a Company-wide risk analysis, operations plan and budget for 2024.

### Shareholders and Annual General Meeting

The Society owns all of the shares in the Company and exerts its influence at the Annual General Meeting. The Annual General Meeting of the Company was held in Stockholm on 30 March 2023, in direct connection with the Annual General Meeting of the Society and with an option for remote attendance.

The Annual General Meeting of the Company approved the 2022 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.

At the Annual General Meeting, Ellen Bramness Arvidsson stepped down from her assignment as Chairman and ordinary Board Member. Rickard Simonsson was elected as a new ordinary Board Member and the remaining ordinary Board Members were re-elected. Erik Langby was elected as the new Chairman of the Board. 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 owner directives.
- Determination of a formal work plan for the Election Committee.
- Authorisation for the Board of Directors to implement new share issues during the financial year.

### Election Committees

There is an Election Committee for the Society's companies: Kommuninvest i Sverige AB and Kommuninvest Fastighets AB. The Election Committee bears the ultimate responsibility for the preparation of appointment decisions through a structured and transparent process allowing the shareholder to give its views on proposals and to submit its own proposals regarding appointments and associated issues, thereby establishing favourable conditions for well-founded decisions.

**Election Committee of the companies owned by the Society 2023/2024**

Linda Frohm (M), Municipality of Kalix, Chairman  
 Ulf Olsson (S), City of Borås, Deputy Chairman  
 Ewa-May Karlsson (C), Region Västerbotten  
 Niclas Nilsson (SD), Municipality of Kristianstad  
 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](http://www.kommuninvest.se/en).

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.

An annual suitability assessment of the Board Members is conducted individually and collectively as part of the preparations for the Annual General Meeting and the process of appointing members. The Members are considered suitable and to have sufficient expertise, skills and experience to fulfil their assignments.

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 pre-determined 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 rules.

**President and CEO**

The Board of Directors has adopted a set of instructions for the President and CEO, detailing his tasks and responsibilities. The CEO is to deal with the ongoing administration of the Company in accordance with the Board's guidelines. Among other things, this includes assuming responsibility for proposals being prepared for an operations plan, a budget and an Interim and Annual Report. The CEO is also responsible for ensuring that appropriate systems and procedures are in place for reporting to the Board of Directors of both the Company's economic situation and financial position, as well as other matters of importance for the work of the Board. It is also the CEO's responsibility that the Board be informed of regulatory amendments, the content of audit reports, any reports from the Swedish Financial Supervisory Authority and any other significant matters.

**Board members**

As per 31 December 2023, the Company's Board of Directors consisted of Erik Langby (Chairman), Lars Heikensten, Kristina Sundin Jonsson, Catrina Ingelstam, Mats Filipsson, Rickard Simonsson and Anette Henriksson, as well as employee representatives Mattias Bokenblom and Kristin Ekblad. The members are presented on pages 41–42.

**Remunerations**

For 2023, 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 total fees paid to the members of the Board of Directors for 2023 amounted to TSEK 2,580 (2,580). No fees were paid to employee representatives. The combined fees are detailed in the table on page 41.

**Work of the Board of Directors in 2023**

In 2023, the Board of Directors held seven (seven) ordinary meetings, zero (one) extraordinary meetings and zero (one) inaugural meeting.

- Internal capital and liquidity assessment
- Risk framework and other internal governance documents
- Recovery plan
- Remuneration issues
- Updates of funding programmes
- Counterparty limits
- Employee survey
- Valuation principles
- Data security
- Strategic operations plan and budget
- Customer survey
- Combined Assurance
- Governance for sustainable financing programmes
- Annual Report and interim reports

# Board of Directors of Kommuninvest i Sverige AB



**ERIK LANGBY**  
Consultant

**Born:** 1951

**Elected:** Chairman since 2023. 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, ledamot Atrium Ljungberg AB, 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 NackaStrandsmässan AB.

**Other assignments:** CEO Jordnära Samhällsansvar AB, Deputy Chairman SALAR International AB, Chairman AB SigtunaHem, Chairman Bostadsrätterna i Sverige Ekonomisk Förening, Chairman Sigtuna Bostadsförmidd AB, Chairman Tegelhatt AB, Chairman 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.



**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.



**ANETTE HENRIKSSON**  
Board member and consultant

**Born:** 1961

**Elected:** Member since 2021.

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

**Previous positions:**

CEO Locum AB, Head of Asset Management Property and Services Committee Region Stockholm, CEO Municipality of Lund, Deputy CEO Akademiska Hus, CFO Region Halland.

**Other assignments:** Deputy Board member Långhult Media AB.



**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 Skandia-Banken, Authorised Public Accountant EY, Board member Spiltan Fonder AB, Board member (member of the Risk and Audit Committee) Sparbanken Sjuhärad AB, Board member (member of the Risk- and Capital Committee) KPA Pension and a number of positions/board assignments in the financial sector.

**Other assignments:** Board member (Chairman Investment Committee) SH Pension Tjänstepensionsförening, Chairman (member Sustainability Committee) Sixth AP Fonden, Board member (Chairman Audit Committee) Swedfund International AB, Board member Sparbanken Rekarne AB, Board member Regionernas Ömsesidiga Försäkringsbolag (Löf).

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

Name	Position of dependence	Attendance, Board meetings 2023	Remuneration 2023, SEK	Remuneration 2022, SEK
Erik Langby	Independent, appointed Chairman in March 2023.	8 of 8	532,500	330,000
Mats Filipsson	Independent	8 of 8	330,000	330,000
Lars Heikensten	Independent	6 of 8	330,000	330,000
Anette Henriksson	Independent	8 of 8	330,000	330,000
Catrina Ingelstam	Independent	8 of 8	330,000	330,000
Rickard Simonsson	Independent, appointed in March 2023.	6 of 7	247,500	-
Kristina Sundin Jonsson	Independent	8 of 8	330,000	330,000
Ellen Bramness Arvidsson	Independent, stepped down in March 2023.	1 of 1	150,000	600,000
Mattias Bokenblom	Employee representative	8 of 8	Not remunerated	Not remunerated
Kristin Ekblad	Employee representative	7 of 8	Not remunerated	Not remunerated



# Board of Directors of Kommuninvest i Sverige AB



**RICKARD SIMONSSON**  
Regional Director, Region  
Örebro, CEO Region Örebro  
läns förvaltnings AB

**Born:** 1968

**Elected:** Member since  
2023.

**Education:** Master of  
Politics, Administrative  
Economics, Gothenburg  
University

**Previous positions:** CFO,  
County Council Director,  
Örebro Region Council,  
Peter Welin, Örebro Region  
Council, Chief Analyst,  
Kommuninvest i Sverige AB,  
Board Member Inera AB,  
Board Member Adda AB.

**Other assignments:** Board  
Member, Regionernas  
ömsesidiga Försäkrings-  
bolag (LÖF), Trustee, Board  
of Trustees, Örebro  
University.



**KRISTINA SUNDIN  
JONSSON**  
Chief Administrator, Muni-  
cipality of Skellefteå, Presi-  
dent Skellefteå Stadshus AB

**Born:** 1967

**Elected:** Member since 2018.

**Education:** Bachelor in Busi-  
ness Administration, Umeå  
University.

**Previous positions:**  
Authorised Public Account-  
ant, consultant at KPMG AB,  
CFO Skelleftebostäder AB,  
expert in the 112 public  
inquiry, Chairman Kommun-  
direktörsföreningen i Sver-  
ige, Board member Inera AB.

**Other assignments:** Board  
Member Adda Inköpscentral  
AB, Member Mistra Carbon  
Exit research programme,  
Board Member LTU Business  
AB, Board Member LTU  
Holding AB, expert Govern-  
ment Committee on Exper-  
imental Operations in Muni-  
cipalities and Regions,  
delegate Västerbotten  
County Delegation on  
Gender Equality.



**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 econom-  
ics, 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 2024 Annual General Meeting. As of the 2023 Annual General Meeting, KPMG AB has elected Authorised Public Accountant Tobias Lilja as Auditor in charge. Up until the 2023 Annual General Meeting, Anders Tagde was the Auditor in charge. The chief auditor meets with the Board of Directors of the Company at least twice a year, and the Board of Directors of the Society at least once a year.

## Internal auditor

Effective from 2017, the Board of Directors of the Society appointed PwC (PricewaterhouseCoopers AB) as its internal auditing company for the Company and the Society, with Peter Nilsson as the certified 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 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 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 2023, 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), Jonas Berglund (CRO), Galit Saar (Head of Legal and Procurement), Victoria Preger (Head of Communications), David Ljung (Head of Lending and Advice) and Jimmy Leonborn (CIO).

During the year, Tomas Werngren was replaced by Katarina Ljungqvist as CEO, Britt Kerkenberg was replaced by Jonas Berglund as CRO and Jens Larsson (former Chief Legal Counsel) was replaced by Galit Saar as Head of Legal and Procurement. During the year, David Ljung was appointed Head of Lending and Advice and was replaced by Victoria Preger as Head of Communications.



**KATARINA LJUNGQVIST,  
PRESIDENT AND CEO**

**Born:** 1965

**Education:** School of Business, Economics and Law, University of Gothenburg.

**Previous positions:** Handelsbanken: Digital Manager, Head of Business Development, Head of Regional Bank Western Sweden, Office Manager, Credit Manager.

**Other assignments:** Board Member of AB Svensk Exportkredit, Hufvudstaden AB and of Stiftelsen Svenska Mässan, including its Council of Principals. Member of the election committee for the West Sweden Chamber of Commerce.



**MARIA VIIMNE,  
DEPUTY CEO**

**Born:** 1970

**Education:** Mälardalen University, B.A. Economics. 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.

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

Name	Year	Basic salary	Benefits	Variable pay	Pension expense	Total, SEK
Katarina Ljungqvist, President and CEO (appointed April 2023)	2023	2,970,223	171	-	672,451	3,642,845
	2022	-	-	-	-	-
Tomas Werngren, President and CEO (retired March 2023)	2023	908,983	29,148	-	306,937	1,245,068
	2022	3,819,205	115,812	-	1,244,426	5,179,443
Maria Viimne, Deputy CEO	2023	2,266,296	113	-	734,092	3,000,501
	2022	2,218,871	141	-	722,611	2,941,623
Other Executive Management Team	2023	9,154,202	12,750	-	2,400,274	11,567,226
	2022	6,689,877	22,500	-	2,199,158	8,911,535
Employees who have a material impact on the Company's risk profile <sup>1</sup>	2023	4,368,820	10,200	-	1,677,415	6,056,435
	2022	9,948,632	3,228	-	2,500,636	12,452,496

<sup>1</sup> In addition to the Executive Management Team. This Group comprises 4 (15) employees with the following positions: Head of Debt Management, Chief Compliance Officer, Head of Accounting and Reporting, Head of Back Office.

# 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, risk awareness, reliable financial reporting, a good capacity to comply with external and internal regulations and on the Company 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 Payment 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.

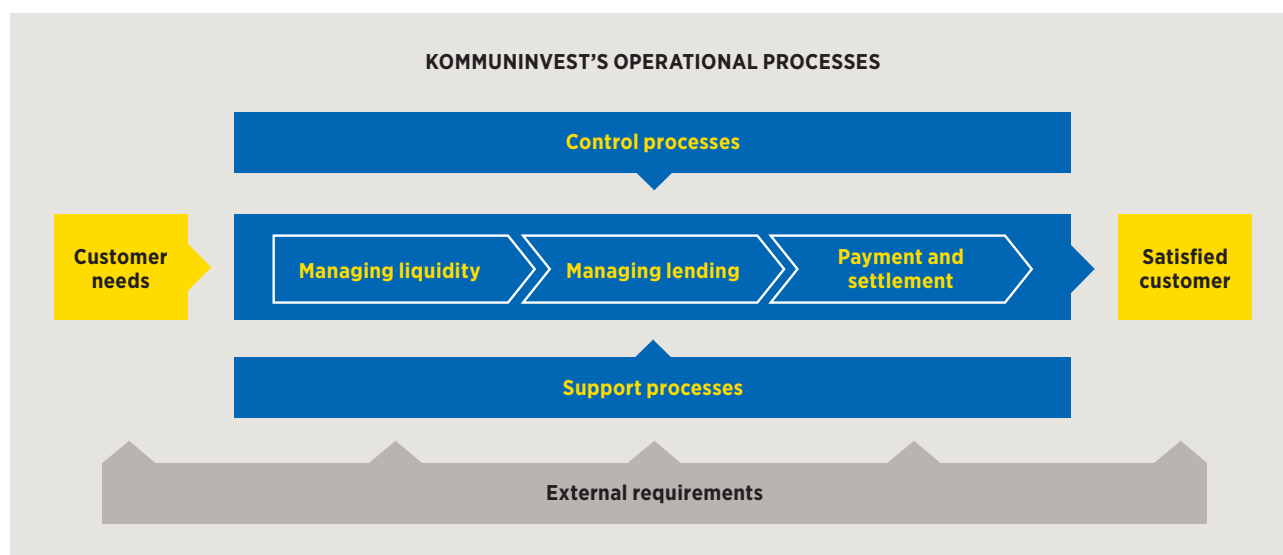
## Risk management

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 33–37.

## Control environment

The control environment is detailed in the documents explaining the principles of internal control, with the most important being:

- Internal Governance and Control Policy
- Capital and Liquidity Policy
- Credit Policy
- Risk policy
- Board of Directors' Instructions for Control Functions



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

#### 1. The first line

comprises all functions that do not constitute control functions. These functions are responsible for conducting the day-to-day work of the operations and bear full responsibility for the business operations and for addressing the risks arising therein.

#### 2. The second line

comprises two control functions, the Risk and Control Department, and the Compliance Department. The second line supports the first line with expertise in its respective areas, and provides advice to the first line. It shall also monitor and challenge the work of the first line on risk-related matters.

#### 3. The third line

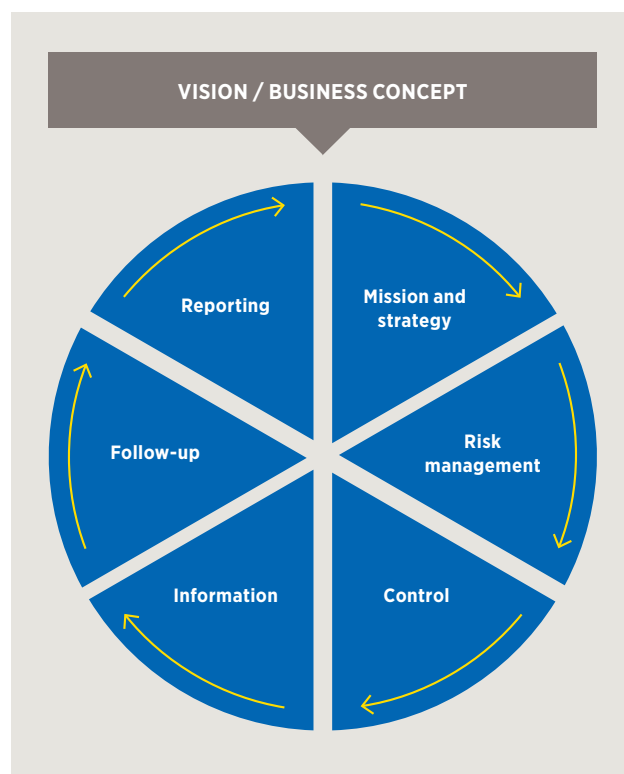
comprises the Internal Audit, an independent review function that reports to the Board of Directors. The internal audit is responsible for the assessment of governance, risk-management and control processes.

#### Information and communication

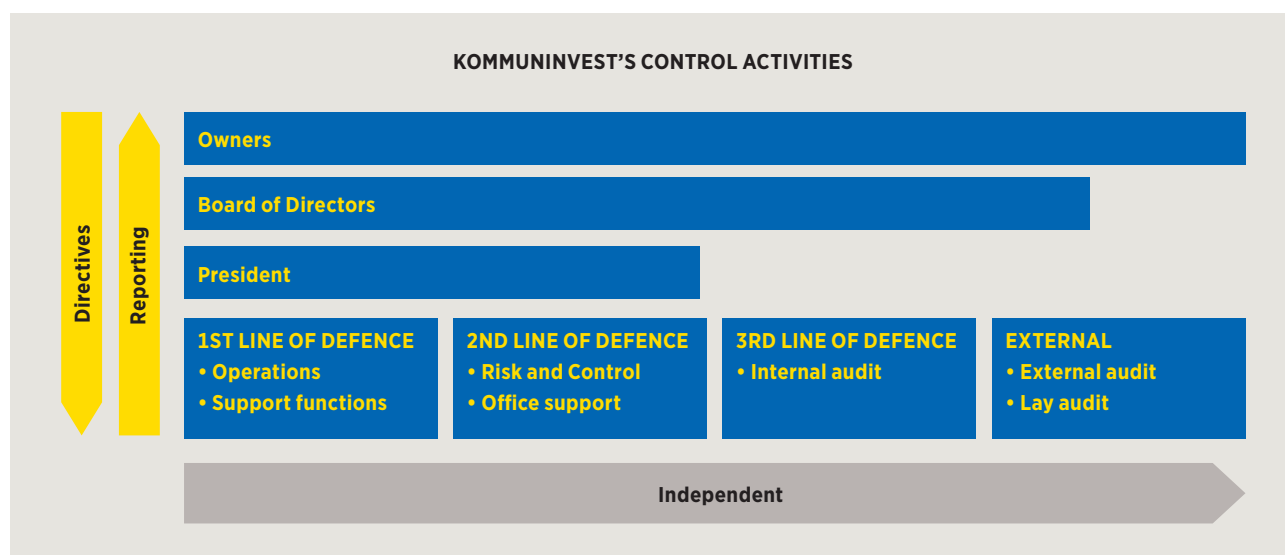
The Company has an internal website where policies, instructions and other governance documents are made available. The objective is for all governing documents to be updated at least once annually. The internal website also provides other important information concerning the operations, including operational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

#### 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 and the Risk, Control and Compliance departments perform regular checks and audits. Risk and Control reviews the annual accounts process each year.





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# Financial statements

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# Income statement

1 January – 31 December

SEK, million	Note	2023	2022
Interest revenues calculated according to effective interest method		20,482.6	4,780.0
Other interest revenues		361.2	133.9
Interest expenses calculated according to effective interest method		-19,474.8	-4,179.8
Other interest expenses		-378.6	-68.3
<b>NET INTEREST INCOME</b>	4	<b>990.5</b>	<b>665.8</b>
Dividends received		3.0	1.8
Commission expenses	5	-13.1	-11.7
Net result of financial transactions	6	47.6	-208.8
<i>of which, derecognised assets valued at amortised cost</i>		-0.1	0.2
Other operating income	7	14.9	11.9
<b>TOTAL OPERATING INCOME</b>		<b>1,042.8</b>	<b>459.0</b>
General administration expenses	8	-242.7	-212.4
Depreciation and impairment of intangible assets	19	-6.2	-6.3
Depreciation and impairment of material assets	20	-2.0	-1.8
Other operating expenses	9	-2.6	-3.4
<b>TOTAL EXPENSES</b>		<b>-253.5</b>	<b>-223.9</b>
<b>PROFIT BEFORE CREDIT LOSSES</b>		<b>789.3</b>	<b>235.1</b>
Net credit losses	10	2.8	-5.9
Fees imposed: Risk tax and resolution fee <sup>1</sup>	11	-343.0	-282.3
<b>OPERATING PROFIT</b>		<b>449.2</b>	<b>-53.1</b>
Tax	12	-94.0	11.0
<b>NET PROFIT</b>	13	<b>355.2</b>	<b>-42.1</b>

# Statement of comprehensive income

1 January – 31 December

SEK, million	Note	2023	2022
<b>NET PROFIT</b>		<b>355.2</b>	<b>-42.1</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>355.2</b>	<b>-42.1</b>

1) As of 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 increased by nearly 50 percent over the year, amounting SEK 990.5 (665.8) million. The increase is mainly explained by key and market interest rates having been at a higher level in 2023, as well as being higher throughout the year compared with the preceding year. The positive effect of higher interest rates on net interest income derives from the Company holding more interest-bearing assets than corresponding liabilities. Expenses for ratings, the Swedish Benchmark Programme and other fees associated with funding burdened net interest income by SEK 42.5 (42.2) million. For further information regarding net interest income for the period, see Note 4.

### Net result of financial transactions

The net result of financial transactions amounted to SEK 47.6 (negative 208.8) million. The result is mainly explained by unrealised changes in market value of SEK 59.3 (negative 209.5) million. The difference in value between the Company's assets and liabilities measured at fair value remained stable over the year, contributing to lower volatility in unrealised changes in market value over the year. 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 KI Finans increased by SEK 0.9 million to SEK 10.6 (9.7) million.

### Expenses

Operating expenses amounted to SEK 253.5 (223.9) million, of which payroll expenses accounted for SEK 137.9 (126.0) million and other operating expenses totalled SEK 115.6 (97.9) million.

The increase in payroll expenses is explained by the full-year effects of filling previous vacancies and of reinforcing resources for the development efforts being conducted to transform the Company's IT support.

The entire increase in other expenses is accounted for by the development process, in the form of a cost increase in the amount of SEK 19 million for external resources and higher IT expenses. Depreciation remained at the same level as in the preceding year.

Credit losses amounted to a positive sum of SEK 2.8 (negative 5.9) million. The Company's risk tax amounted to SEK 325.9 (257.3) million. The reason for the higher level is that the tax was raised by 0.01 percent to 0.06 percent between the years, with the base for the calculation, the Company's total liabilities, having increased from the preceding year. Kommuninvest's resolution fee for 2023 has been set by the Swedish National Debt Office at SEK 17.1 (25.0) million.

The Company's wholly-owned subsidiary, Kommuninvest Fastighets AB, generated a group contribution of SEK 3.0 (1.8) million. The Board of Directors of the property company was of the opinion that the Group contribution would not prevent the property company from fulfilling its obligations in the short and long term, nor from making necessary investments.

### Net profit

Kommuninvest's operating profit, its profit before tax, amounted to SEK 449.2 (loss 53.1) million. The higher net profit is explained by stronger net interest income and a positive outcome of SEK 59.3 (negative 209.5) million in unrealised changes in market value.

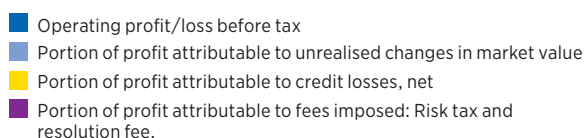
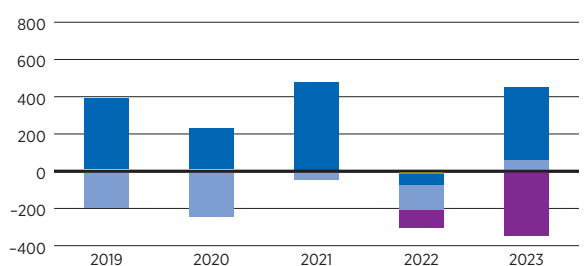
Kommuninvest's operating income, defined as operating profit less changes in market value, expected credit losses and risk tax amounted to SEK 713.0 (419.6) million. For further information, see Alternative performance measurements on page 92.

The tax expense for the year, recognised in profit or loss, amounted to SEK 94.0 (income 11.0) million, for more information regarding reported tax, see Note 12.

Profit after tax amounted to SEK 355.2 (loss 42.1) million.

### Operating profit/loss before tax

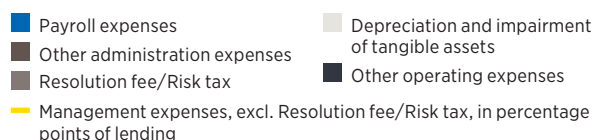
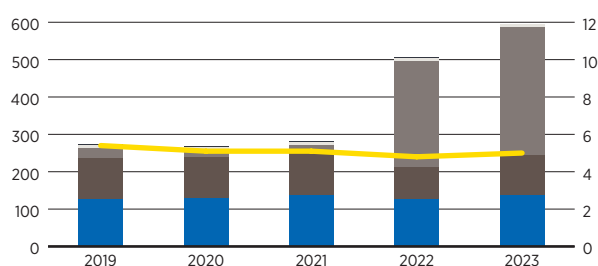
SEK, million



### Distribution of expenses

SEK, million

Basis points





# Balance sheet

As per 31 December

SEK, million	Note	2023	2022
<b>ASSETS</b>			
Cash and balances with central banks	3	4,722.7	26,217.2
Sovereign bonds eligible as collateral	3, 14	31,481.4	30,689.7
Lending to credit institutions	3	401.9	1,763.4
Lending	3, 15	508,802.2	470,675.9
Bonds and other interest-bearing securities	3, 16	9,916.4	6,752.3
Shares and participations in subsidiaries	17	42.0	42.0
Derivatives	3, 18, 27	7,822.8	16,353.0
Intangible assets	19	12.3	18.5
Tangible assets	20	4.6	4.4
Current tax assets		7.2	3.6
Other assets	21	5,663.7	685.7
Deferred tax assets	12	-	14.0
Prepaid expenses and accrued revenues		33.9	36.8
<b>TOTAL ASSETS</b>		<b>568,911.1</b>	<b>553,256.5</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities and provisions</b>			
Liabilities to credit institutions	3	821.1	1,487.5
Securities issued	3	543,532.3	520,777.0
Derivatives	3, 18, 27	5,961.3	2,834.2
Change in value of interest-hedged item in portfolio hedging		987.2	2,886.3
Other liabilities	22	6,496.0	15,059.9
Accrued expenses and prepaid revenues		57.7	42.9
Provisions	23	0.0	0.0
<b>Total liabilities and provisions</b>		<b>557,855.6</b>	<b>543,087.8</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		10,175.0	9,475.0
Development expenditure reserve		12.3	18.5
Statutory reserve		17.5	17.5
<b>Unrestricted equity</b>			
Unrestricted share premium reserve		395.0	255.0
Profit or loss brought forward		100.5	444.8
Net profit	13	355.2	-42.1
<b>Total equity</b>		<b>11,055.5</b>	<b>10,168.7</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>568,911.1</b>	<b>553,256.5</b>

## Comments on the balance sheet

### Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 568,911.1 (553,256.5) million. Lending, which accounts for most of the assets, amounted to a recognised value of SEK 508,802.2 (470,675.9) million. In nominal terms, lending amounted to SEK 511,851.3 (482,459.1) million, a increase of SEK 29,392.2 million or 6.1 (4.7) percent.

The liquidity reserve, consisting of the balance sheet items Cash and balances with central banks, Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities, decreased to SEK 46,522.4 (65,422.6) million.

Pledged assets for derivative liabilities, which are included under the item Other assets, increased to SEK 5,625.9 (676.5) million. For more information on other assets, see Note 21.

Derivative assets (derivatives with positive market value) decreased to SEK 7,822.8 (16,353.0) million. The decrease is explained by the strengthening of the SEK against the USD in the later part of the year, which affected the value of the currency derivatives used to hedge the currency risk arising from the Company's funding in USD.

### Liabilities

The Company's liabilities amounted to SEK 557,855.6 (543,087.8) million. Funding increased over the year to SEK 544,353.4 (522,264.5) million, an increase by SEK 22,088.9 million or 4.2 (3.1) percent. Derivative liabilities (derivatives with negative market value) amounted to SEK 5,961.3 (2,834.2) million.

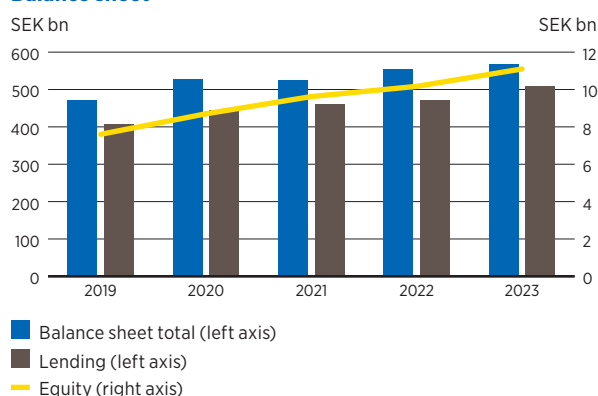
The balance sheet item Other liabilities amounted to SEK 6,496.0 (15,059.9) million. Other liabilities include collateral received for derivative liabilities of SEK 5,583.0 (14,738.7) million. Further information on other liabilities can be found in Note 22.

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 the next page.

### Balance sheet



# Statement of changes in equity

SEK, million	Restricted equity				Unrestricted equity		Total equity	
	Share capital	New share issue in progress	Development expenditure reserve <sup>1</sup>	Statutory reserve <sup>2</sup>	Unrestricted share premium reserve	Profit or loss brought forward	Net profit	
<b>Equity brought forward 1 Jan 2023</b>	<b>9,475.0</b>	<b>-</b>	<b>18.5</b>	<b>17.5</b>	<b>255.0</b>	<b>444.8</b>	<b>-42.1</b>	<b>10,168.8</b>
Net profit							355.2	355.2
Change in development expenditure reserve for the year			-6.2			6.2		-
Other comprehensive income								-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-6.2</b>	<b>-</b>	<b>-</b>	<b>6.2</b>	<b>355.2</b>	<b>355.2</b>
<b>Transactions with shareholders</b>								
Appropriation of surplus						-42.1	42.1	-
New share issue	700.0				140.0			840.0
Group contributions						-388.4		-388.4
Tax effect on Group contribution						80.0		80.0
<b>Total transactions with shareholders</b>	<b>700.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140.0</b>	<b>-350.5</b>	<b>42.1</b>	<b>531.6</b>
<b>Equity carried forward 31 Dec 2023</b>	<b>10,175.0</b>	<b>-</b>	<b>12.3</b>	<b>17.5</b>	<b>395.0</b>	<b>100.5</b>	<b>355.2</b>	<b>11,055.5</b>
<b>Equity brought forward 1 Jan 2022</b>	<b>8,975.0</b>	<b>-</b>	<b>24.7</b>	<b>17.5</b>	<b>155.0</b>	<b>74.5</b>	<b>375.6</b>	<b>9,622.3</b>
Net profit							-42.1	-42.1
Change in development expenditure reserve for the year			-6.2			6.2		-
Other comprehensive income								-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-6.2</b>	<b>-</b>	<b>-</b>	<b>6.2</b>	<b>-42.1</b>	<b>-42.1</b>
<b>Transactions with shareholders</b>								
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
<b>Total transactions with shareholders</b>	<b>500.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0</b>	<b>364.0</b>	<b>-375.6</b>	<b>588.4</b>
<b>Equity carried forward 31 Dec 2022</b>	<b>9,475.0</b>	<b>-</b>	<b>18.5</b>	<b>17.5</b>	<b>255.0</b>	<b>444.8</b>	<b>-42.1</b>	<b>10,168.8</b>

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

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

## Comments on the statement of changes in equity

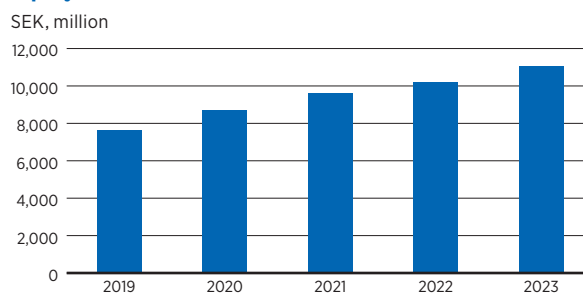
### Equity

At the end of the year, equity in the Company amounted to SEK 11,055.5 (10,168.7) million, following group contributions of SEK 388.4 (14.6) million to the Kommuninvest Cooperative Society.

At the end of the year, share capital amounted to SEK 10,175.0 (9,475.0) million, distributed between 101,750,000 (94,750,000) shares. The increase in share capital comprises a new share issue for SEK 700.0 million. In accordance with the Society's capital plan, the issue was implemented at a premium of 120 percent. This entailed an increase in the share premium reserve of SEK 140.0 (100.0) million.

The total share capital is attributable to the members of the Society and no shares are available for trade.

### Equity





# Cash flow statement

1 January – 31 December

SEK, million	2023	2022
<b>Operational activities</b>		
Operating profit	449.2	-53.1
Adjustment for items not included in cash flow	-50.9	224.5
Income tax paid	-3.6	75.4
	<b>394.7</b>	<b>246.8</b>
Change in liquidity portfolio	-3,886.1	8,750.0
Change in lending	-30,263.4	-22,531.8
Change in other assets	-4,975.1	1,746.7
Change in other liabilities	-8,981.5	11,527.8
<b>Cash flow from operational activities</b>	<b>-47,711.4</b>	<b>-260.5</b>
<b>Investment activities</b>		
Acquisitions of tangible assets	-2.3	-0.3
Divestments of tangible assets	0.3	-
<b>Cash flow from investment activities</b>	<b>-2.0</b>	<b>-0.3</b>
<b>Financing activities</b>		
Issue of interest-bearing securities	207,445.8	208,652.7
Maturity and repurchases of interest-bearing securities	-183,473.4	-189,529.5
New share issue	840.0	600.0
Change in debt ratios within the Group	44.0	-488.0
<b>Cash flow from financing activities</b>	<b>24,856.4</b>	<b>19,235.2</b>
<b>Cash flow for the year</b>	<b>-22,856.9</b>	<b>18,974.4</b>
<b>Cash and cash equivalents at start of the year</b>	<b>27,981.7</b>	<b>9,007.3</b>
<b>Cash and cash equivalents at end of the year</b>	<b>5,124.8</b>	<b>27,981.7</b>
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.		
<b>Adjustment for items not included in cash flow</b>		
Depreciation	8.2	8.1
Profit from divestments of tangible assets	-0.2	-
Exchange rate differences from change in financial assets	3.2	1.0
Unrealised changes in market value	-59.3	209.5
Net credit losses	-2.8	5.9
<b>Total</b>	<b>-50.9</b>	<b>224.5</b>
<b>Interest paid and received, included in the cash flow</b>		
Interest received <sup>1</sup>	17,561.3	3,346.1
Interest paid <sup>2</sup>	-16,450.4	-2,721.0

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
<b>2023</b>						
Funding, incl. derivatives	508,745.7	23,972.3	3.2	9,770.6		542,491.9
Share capital and unrestricted share premium reserve	9,730.0	840.0				10,570.0
Inter-company liability	14.6	44.0			388.4	447.0
<b>Total</b>	<b>518,490.3</b>	<b>24,856.4</b>	<b>3.2</b>	<b>9,770.6</b>	<b>388.4</b>	<b>553,508.9</b>

# Notes

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

## Note 1 Information about Kommuninvest i Sverige AB

This Annual Report applies to the year ending 31 December 2023 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 12 February 2024. The income statement and balance sheet will be subject to ratification at the Annual General Meeting on 21 March 2024.

## 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 2022 Annual Report, with the exception of amendments caused by new or amended IFRS standards coming into effect during 2023.

### 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 Group's Annual Report is prepared by the Parent Society, the Kommuninvest Cooperative Society, and will be published on 2024-03-28 at [www.kommuninvest.se](http://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 can be considered to be 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 that 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 these 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. The assessment has been included that the purpose of holding the assets was 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. In calculating expected credit losses, forward-looking scenarios and assumptions are used, among other things. 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

## Note 2, continued

force on the balance sheet date. Exchange rate differences arising from the conversions are recognised in the income statement.

### Subsidiaries

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

### Interest revenues and interest expenses

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

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

Interest 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 how interest revenues and interest expenses are reported, 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 2023, 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

*Note 2, continued*

Where there is an accounting mismatch, financial liabilities are recognised at fair value through the income statement – in other instances, these are recognised at amortised cost.

*Amortised cost*

When the business model for financial assets is to hold these 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.

*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.

### Note 2, continued

#### Tangible assets

Tangible assets are recognised as assets in the balance sheet if it is probable that Kommuninvest will derive future economic benefit and the cost of the assets can be measured reliably.

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

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

#### Pension through insurance

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

The pension plan for Kommuninvest's employees has been deemed a defined contribution plan encompassing several employers, in accordance with the rules in IAS 19 and recommendations in RFR 2. 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 RTP 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 33–37 for a comprehensive description of the Company's risk profile and risk organisation and the separate Risk and Capital Management Report, which is available at [www.kommuninvest.se](http://www.kommuninvest.se)). Also shown under each area of risk are the current exposure and estimated capital requirement.

### Credit risk

Credit risk refers to the risk of a loss being incurred as a consequence of a counterparty's incapacity to meet its obligations on time. Credit risk arises in various ways in the Company's operations and is divided into three areas: risk in credit provision arising in the lending operations, issuer risk arising in the Company's liquidity reserve and counterparty risk, which arises when the Company uses derivative instruments.

At least once a year, the Board sets limits for all investment and derivative counterparties, which relate to the Company's total exposure to the counterparty. Additional limits are determined by the President and CEO based on the counterparty's creditworthiness. When the Company assesses which investment and derivative counterparties are to be approved, as well as the requirements to which these are subject, the counterparty's creditworthiness, including ownership status, scope and extent of operations, and financial stability are to be taken into account.

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

Credit risk exposure	2023					2022				
	Recognised gross value	Expected credit losses	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement	Recognised gross value	Expected credit losses	Recognised value <sup>1</sup>	Risk-weighted exposure value	Capital requirement
<b>Credit provision</b>										
Lending to municipalities and municipal companies <sup>2</sup>	508,806.0	-3.9	508,802.2	-	-	470,681.5	-5.7	470,675.9	-	-
- Risk category 1	339,858.0	-2.5	339,855.6	-	-	279,571.8	-3.1	279,568.7	-	-
- Risk category 2	144,406.0	-1.2	144,404.8	-	-	159,636.4	-2.0	159,634.4	-	-
- Risk category 3	20,583.7	-0.2	20,583.5	-	-	28,563.7	-0.5	28,563.2	-	-
- Risk category 4	3,958.3	0.0	3,958.3	-	-	2,909.6	0.0	2,909.6	-	-
<b>Investments</b>										
Sovereign bonds eligible as collateral	31,481.6	-0.2	31,481.4	-	-	30,690.2	-0.5	30,689.7	-	-
- AAA	30,439.6	-0.2	30,439.4	-	-	30,690.2	-0.5	30,689.7	-	-
- AA	1,042.0	0.0	1,042.0	-	-	-	-	-	-	-
Cash and balances with central banks	4,722.8	0.0	4,722.7	-	-	26,217.6	-0.4	26,217.2	-	-
- AAA	4,722.8	0.0	4,722.7	-	-	26,217.6	-0.4	26,217.2	-	-
Bonds and other interest-bearing securities	9,916.7	-0.4	9,916.4	-	-	6,752.4	-0.1	6,752.3	-	-
- AAA	8,065.1	-0.2	8,064.9	-	-	6,752.4	-0.1	6,752.3	-	-
- AA	1,851.6	-0.2	1,851.5	-	-	-	-	-	-	-
Lending to credit institutions	402.0	-0.1	401.9	80.3	6.4	1,764.1	-0.7	1,763.4	352.6	28.2
- AAA	1.0	0.0	1.0	-	-	1.8	-	1.8	-	-
- AA	101.0	0.0	100.9	20.3	1.6	839.9	-0.3	839.6	168.1	13.4
- A	300.0	-0.1	300.0	60.0	4.8	922.4	-0.4	922.0	184.5	14.8
<b>Derivatives<sup>1</sup></b>										
Derivatives	7,822.8	-	7,822.8	-	-	16,353.0	-	16,353.0	-	-
- AA	3,274.1	-	3,274.1	-	-	4,890.9	-	4,890.9	-	-
- A	4,548.7	-	4,548.7	-	-	11,462.1	-	11,462.1	-	-
<b>Other assets</b>										
Other assets	5,763.7	-	5,763.7	97.1	7.8	805.0	-	805.0	104.3	8.4
<b>Off-balance sheet items</b>										
Committed loans <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
Committed, undisbursed loans <sup>2</sup>	629.8	-	629.8	-	-	549.2	-	549.2	-	-
<b>Total (including off-balance sheet items)</b>	<b>569,545.4</b>	<b>-4.6</b>	<b>569,540.9</b>	<b>177.4</b>	<b>14.2</b>	<b>553,813.0</b>	<b>-7.4</b>	<b>553,805.7</b>	<b>456.9</b>	<b>36.6</b>

1) The recognised value corresponds to the maximum credit risk exposure without taking collateral received or other forms of credit enhancement into account. For information on collateral received, see section Counterparty risk on page 65.

2) Guaranteed by local government undertaking. See further under Risk in credit provision on pages 64-65.

## Note 3, continued

*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. 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.

*Expected maturity in the ECL calculation*

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

For the investments, Kommuninvest uses the regulatory exemption for low credit risk. This is supported by the investment portfolio's credit risk profile and favourable credit quality. Kommuninvest defines low credit risk as a credit rating from Moody's of at least Baa3 and from S&P Global Ratings of at least BBB-.

Kommuninvest currently only has exposures with very good credit quality, which, in addition to cash and cash equivalents at payment banks, comprise sovereign or government relations. In connection with negative changes in credit ratings, qualitative assessments are often made to determine whether credit risk has increased significantly. Assuming that no significant increase is deemed to have occurred and the credit rating meets the Company's requirement of low credit risk, the asset remains in Phase 1.

*Definition of default*

Any lending to parties other than members directly requires a guarantee for the entire credit amount from one or more members. Kommuninvest's definition of default is in line with the guidelines developed by the European Banking Authority

(EBA) and entail a counterparty having defaulted when at least one of the following situations has occurred:

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

Before an exposure is considered to be in default, Kommuninvest is to perform an expert assessment. Based on the EBA's guidelines, this shall ascertain whether a "technical default" situation has arisen. If the exposure is directly to a member (municipality or region), the in-depth analysis is motivated primarily by the local government authorities' constitutionally protected role in society, including the right to levy taxes, meaning in practice that a local government authority cannot be declared bankrupt.

*Determination of impaired credit quality*

Kommuninvest applies a set of indicators to continuously monitor the development of credit risk in the lending portfolio. The function of the indicators is to demonstrate whether there is a change in the probability of default necessitating a transfer between credit risk phases based on limits. Kommuninvest uses both quantitative and qualitative indicators in its ongoing monitoring of the lending portfolio. The quantitative indicators consist of ratings from rating agencies and data from credit information providers (risk score, risk forecast and payment orders) and Kommuninvest's internal risk value model for assessing lending counterparties. Limits have been established for the quantitative indicators, and violations are followed up. A limit is also applied, meaning that an asset will be transferred to Phase 2 if payment is delayed by more than 30 days. The qualitative indicators consist of restructuring of loan terms. Before an individual counterparty is transferred to phase 2, a special assessment is to be made to elucidate the underlying causes and the counterparty's overall repayment capacity. The credit quality of the financial assets is determined by the Credit Risk Committee.

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

*Probability of default (PD)*

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

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

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

Factors affecting the calculation of PD:

- The weightings for macroeconomic factors are based on the empirical correlations between macro factors and Z-factors. Z-factors are used to adjust historical probability to become forward-looking.

## FINANCIAL STATEMENTS

### Note 3, continued

- 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	
	2023	2022	2023	2022
GDP forecast	21%	22%	22%	13%
Unemployment	33%	33%	11%	13%
Stock market	17%	12%	27%	37%
Energy index	5%	5%	8%	5%
Non-energy index	5%	5%	7%	5%
Credit rating	19%	23%	25%	27%

### Historical probability of default

S&P Rating	Non-financial companies and sovereigns		Financial companies	
	2023	2022	2023	2022
AAA	0.00100%	0.00100%	0.00825%	0.00910%
AA+	0.00180%	0.00179%	0.01235%	0.01370%
AA	0.00322%	0.00322%	0.01850%	0.02062%
AA-	0.00576%	0.00577%	0.02772%	0.03104%
A+	0.01030%	0.01036%	0.04151%	0.04671%
A	0.01844%	0.01859%	0.06217%	0.07029%
A-	0.03301%	0.03335%	0.09310%	0.10576%
BBB+	0.05908%	0.05983%	0.13940%	0.15910%
BBB	0.10571%	0.10730%	0.20867%	0.23929%
BBB-	0.18909%	0.19238%	0.31225%	0.35973%
BB+	0.33798%	0.34466%	0.46701%	0.54048%
BB	0.60342%	0.61676%	0.69794%	0.81131%
BB-	1.07508%	1.10128%	1.04186%	1.21617%
B+	1.90833%	1.95894%	1.55262%	1.81938%
B	3.36542%	3.46117%	2.30792%	2.71355%
B-	5.86851%	6.04436%	3.41789%	4.02914%
CCC-C	26.34287%	27.09571%	10.63046%	12.52354%

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	2023	2022	Change %
Positive scenario	10%	10%	0%
Base scenario	70%	60%	10%
Negative scenario	20%	30%	-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 macroeconomic factors included in the model, while the scenario involving a medium-low economic situation is based on a historically low percentile for the values for the macroeconomic factors and vice versa for the scenario involving a medium-high economic situation.

### Macroeconomic factor

Historical input data	Scenario	2023
Historical change in credit rating (Sovereigns-Companies)	Principal scenario	46.74%
	Positive scenario	29.79%
	Negative scenario	63.69%
Historical change in credit rating (Financial)	Principal scenario	181.45%
	Positive scenario	119.56%
	Negative scenario	243.33%
Historical change in OMX index (-1Q)	Principal scenario	8.75%
	Positive scenario	23.06%
	Negative scenario	-5.57%
Historical change in S&P 500 index (-1Q)	Principal scenario	4.97%
	Positive scenario	13.35%
	Negative scenario	-3.41%

Forecast input data	Scenario	2024	2025
GDP trend Sweden	Principal scenario	1.00%	2.60%
	Positive scenario	2.62%	4.22%
	Negative scenario	-0.62%	0.98%
Change in unemployment Sweden	Principal scenario	9.09%	-1.19%
	Positive scenario	0.86%	-9.43%
	Negative scenario	17.33%	7.04%
Change in global energy index	Principal scenario	-4.51%	-0.68%
	Positive scenario	12.82%	16.66%
	Negative scenario	-21.84%	-18.01%
Change in global non-energy index	Principal scenario	-3.14%	-0.19%
	Positive scenario	4.52%	7.47%
	Negative scenario	-10.80%	-7.84%

### 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.

## Note 3, continued

**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 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.

<b>Sensitivity analysis, macroeconomic factors, lending, (change, from, to)</b>	<b>ECL, SEK million</b>
GDP forecast (-1% 1.0% 0.0%)	-1.00
Prev. unemployment (+10% +8.4% +9.24%)	-1.03
OMX (-10% 5.8% -4.2%)	-0.30
Energy index (-10% -4.5% -14.5%)	-0.26
Non-energy index (-10% -3.1% -13.1%)	-0.33
Prev. credit rating, govt.-owned comps. (-10% 46.7% 56.7%)	-
Prev. credit rating, financial. (+10% 181.4% 191.4%)	-

<b>Sensitivity analysis, macroeconomic factors, investments, (change, from, to)</b>	<b>ECL, SEK million</b>
GDP forecast (-1% 1.0% 0.0%)	-0.12
Prev. unemployment (+10% +8.4% +9.24%)	-0.10
OMX (-10% 5.8% -4.2%)	-0.09
Energy index (-10% -4.5% -14.5%)	-0.04
Non-energy index (-10% -3.1% -13.1%)	-0.06
Prev. credit rating, govt.-owned comps. (-10% 46.7% 56.7%)	-
Prev. credit rating, financial. (+10% 181.4% 191.4%)	-0.06

Sensitivity to change in scenario weighting shown in table below.

<b>Sensitivity analysis scenario weights</b>	<b>Effect, SEK million</b>
More positive (P30 B60 N10)	1.18
More neutral (P20 B60 N20)	0.44
Preceding end of year (P10, B60, N30)	-0.48

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

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

The Company's ECL decreased by SEK 2.8 million overall, from SEK 7.4 million to SEK 4.6 million. At the end of the preceding year, the Company's weighting was P10, B60 and N30. Had these weights been applied, the Company's ECL would have decreased by SEK 5.0 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 2023.

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 64.

<b>Forward-looking PD S&amp;P Rating</b>	<b>Non-financial companies and sovereigns</b>		<b>Financial companies</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
AAA	0.00240%	0.00479%	0.01680%	0.02283%
AA+	0.00410%	0.00794%	0.02441%	0.03300%
AA	0.00703%	0.01316%	0.03546%	0.04770%
AA-	0.01204%	0.02180%	0.05151%	0.06894%
A+	0.02062%	0.03612%	0.07482%	0.09963%
A	0.03532%	0.05984%	0.10866%	0.14395%

<b>PD factor</b>	<b>Change contribution, %</b>
Scenario weights	15.0%
Macro weights	22.7%
GDP forecast	50.4%
Unemployment	0.1%
Share index	-19.8%
Energy index	7.1%
Non-energy index	6.3%
Prev. Credit rating	18.3%
Historical probability of default	-0.1%
<b>Total</b>	<b>100.0%</b>

Changes in PD factor reduced ECL by SEK 0.3 million, see the division into risk variables and change of model in the section Change in provisions for credit losses on page 64.

<b>LGD</b>	<b>2023</b>	<b>2022</b>
Lending	35%	35%
Investments	45%	45%
the 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 60.



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### 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
<b>2023</b>						
Cash and balances with central banks	-0.4	0.0	0.4	-	-	<b>0.0</b>
Sovereign bonds eligible as collateral	-0.5	-27.8	32.2	-4.2	-	<b>-0.3</b>
Lending to credit institutions	-0.7	-	-	0.6	-	<b>-0.1</b>
Lending	-5.7	-0.5	1.1	1.3	-	<b>-3.8</b>
Bonds and other interest-bearing securities	-0.1	-3.1	0.1	2.7	-	<b>-0.4</b>
Provisions for off-balance sheet items	0.0	-0.4	0.5	-0.1	-	<b>0.0</b>
<b>Total</b>	<b>-7.4</b>	<b>-31.8</b>	<b>34.3</b>	<b>0.3</b>	<b>-</b>	<b>-4.6</b>

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

Changes in gross recognised value of provisions for credit losses				
	Opening balance	Initiated during the period	Maturing during the period	Closing balance
<b>2023</b>				
Cash and balances with central banks	26,217.2	4,722.7	-26,217.2	<b>4,722.7</b>
Sovereign bonds eligible as collateral	30,689.7	3,021,691.7	-3,020,900.0	<b>31,481.4</b>
Lending to credit institutions	1,763.4	12,381.6	-13,743.1	<b>401.9</b>
Lending	470,675.9	123,272.2	-85,145.9	<b>508,802.2</b>
Bonds and other interest-bearing securities	6,752.3	17,939.2	-14,775.1	<b>9,916.4</b>
Off-balance sheet items	549.2	162,200.6	-162,025.0	<b>724.8</b>
<b>Total</b>	<b>536,647.7</b>	<b>3,342,208.0</b>	<b>-3,322,806.3</b>	<b>556,049.4</b>

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

#### Risk in credit provision

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

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

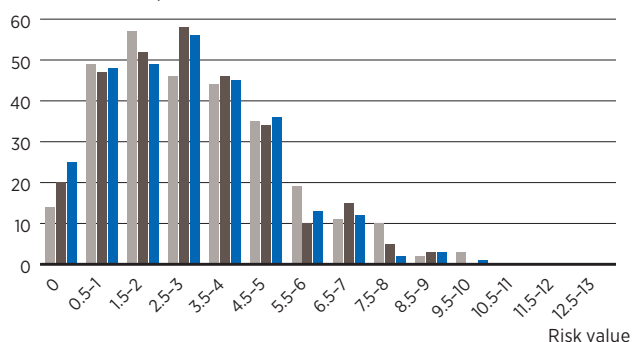
The municipalities and regions and the companies they own respectively are analysed when processing membership applications and on an ongoing basis during their membership. To obtain an overall view of a member's financial situation, a quantitative risk value analysis is performed. This assesses the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



■ 2020 ■ 2021 ■ 2022

## 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 are cleared by a central clearing counterparty.

For the Company to enter a non-cleared derivative, it is necessary for there to be an ISDA agreement with the counterparty, regulating entitlement to terminate contracts prematurely if the credit rating falls below a predetermined level set out in the agreement. Additionally, the Company enters collateral agreements ("CSA agreements") with all counterparties and agreements regarding initial margin securities ("CTA agreements") with prioritised 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. CTA-agreements regulate entitlement to surplus collateral based on the possible change in risk of the contracts.

The initial margin set for cleared derivatives also entails a counterparty, as well as surplus collateral being pledged. Accordingly, total counterparty risk amounted to SEK 4,038.4 (3,414.3) million.

Derivative exposure	2023	2022
Recognised value <sup>1</sup>	7,822.8	16,353.0
Amount netted in the balance sheet	12,627.6	15,861.0
<b>Gross market value<sup>2</sup></b>	<b>20,450.4</b>	<b>32,214.0</b>
Netting gains	-13,842.2	-17,966.8
<b>Current replacement cost<sup>3</sup></b>	<b>6,608.1</b>	<b>14,247.2</b>
Collateral received	-5,705.0	-14,154.2
<b>Net per counterparty incl. deductions for collateral</b>	<b>903.1</b>	<b>93.0</b>
Initial margin pledged	2,253.2	3,271.9
Surplus collateral pledged	882.1	49.4
<b>Total counterparty risk</b>	<b>4,038.4</b>	<b>3,414.3</b>

1) Total positive market values after netting.

2) Total positive gross market values before netting.

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

## Capital requirements for counterparty risk

Kommuninvest applies the standard method for counterparty risk (SA-CCR) to calculate exposure values for derivative counterparties. SA-CCR stands for Standardised Approach Counterparty Credit risk and replaces previous methods for calculating derivative exposures (Current Exposure Method, Standardised Method). All methods serve to calculate the exposure value, Exposure at Default (EAD).

The Replacement Cost is calculated at the agreement level (per CSA agreements). The Potential Future Exposure is calculated per hedging set.

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	2023	2022
Current replacement cost <sup>1</sup>	6,608.1	14,247.2
Collateral received	5,657.3	6,650.7
<b>Exposure value</b>	<b>12,265.4</b>	<b>20,897.9</b>
Risk-weighted exposure value <sup>2</sup>	0.0	0.0
<b>Capital requirement</b>	<b>0.0</b>	<b>0.0</b>

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

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

## Issuer risk

Issuer risk refers to the risk that the issuer of a security fails to repay its full undertaking on maturity. The risk is limited by the liquidity reserve being invested in securities and bank balances with high credit ratings. Investments are limited by a country limit, with the exception of Sweden and supranational counterparties 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 4.7 (0.5) months.

The longest remaining maturity of an individual security was 37.0 (19.7) 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	2023	2022
Sweden	33,480.5	56,908.7
Germany	7,690.0	2,293.0
Supranationals	2,929.3	4,459.3
Finland	1,387.3	839.6
Denmark	571.5	-
United Kingdom	299.9	922.0
Belgium	163.9	-
<b>Total</b>	<b>46,522.4</b>	<b>65,422.6</b>

Investments by rating	2023	2022
AAA	43,228.1	63,661.0
AA	2,994.4	839.6
A	299.9	922.0
<b>Total</b>	<b>46,522.4</b>	<b>65,422.6</b>

Investments by issuer category	2023	2022
National governments or central banks	36,205.1	56,908.7
Multilateral development banks	2,929.3	4,459.3
Credit institute	7,388.0	4,054.6
– of which, subsidised lenders	6,987.1	2,293.0
– of which, investment repos	-	-
– of which, bank balances	400.9	1,761.7
<b>Total</b>	<b>46,522.4</b>	<b>65,422.6</b>

*Capital requirement for issuer risk*

When calculating capital requirements for issuer risk, Kommuninvest uses the standard method in accordance with the CRR regulations, where the exposure value is equivalent to the recognised value. The risk-weighted exposure value is calculated by the exposure being assigned a risk weight in accordance with the regulations. The risk-weighted exposure value is multiplied by 8 percent and, accordingly, the capital requirement for issuer risk amounts to SEK 6.4 (28.2) 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 Pillar II method for assessing increased capital requirements for credit-related concentration risk" (Sw: Pelare 2-metod för bedömning av kapitalpåslag för kreditrelaterad koncentrationsrisk) from 29 December 2020. Credit-related concentration risks are measured for three concentrations: geographic concentration, industry-specific concentration, name concentration.

Concentration risks are estimated applying the Herfindahl index, meaning that exposures are grouped and weighted in relation to their share of the total exposure. A higher Herfindahl index means a greater concentration. Capital requirements for concentration risks are subsequently calculated, applying formulas, as a proportion of the capital requirement for credit risk under Pillar I. When the calculations were performed as per 31 December 2023, the capital requirement under Pillar II for concentration risks in the liquidity reserve was 17.9 (17.9) percent of the capital requirement for credit risk under Pillar I, that is to say, SEK 2.5 (6.6) 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						
2023	0–3 months	3 months–1 year	1–5 years	5–10 years	More than 10 years	Without interest	Total
<b>Assets</b>							
Sovereign bonds eligible as collateral	28,512.7	2,457.0	562.8	–	–	–	31,532.5
Cash and balances with central bank	4,722.8	–	–	–	–	–	4,722.8
Lending to credit institutions	401.9	–	–	–	–	–	401.9
Bonds and other interest-bearing securities	1,125.2	2,020.5	6,756.0	–	–	–	9,901.7
Lending	234,134.5	41,459.0	199,403.9	34,887.3	1,966.6	–	511,851.3
Derivative investments	11,595.4	-4,276.6	-7,318.8	–	–	–	0.0
Derivative lending	274,824.7	-39,125.9	-199,162.4	-34,811.4	-1,724.9	–	0.0
Other assets	5,625.9	–	–	–	–	137.8	5,763.7
<b>Total assets</b>	<b>560,943.1</b>	<b>2,534.0</b>	<b>241.5</b>	<b>75.9</b>	<b>241.7</b>	<b>137.8</b>	<b>564,173.9</b>
<b>Liabilities</b>							
Liabilities to credit institutions	796.0	–	–	–	–	–	796.0
Securities issued	31,768.5	122,899.2	358,655.8	43,908.2	250.0	–	557,481.7
Derivative funding	511,410.3	-116,440.7	-352,620.8	-43,908.2	–	–	-1,559.4
Other liabilities	5,583.0	–	–	–	–	1,957.9	7,540.9
Subordinated liabilities	–	–	–	–	–	–	–
Equity	–	–	–	–	–	11,055.5	11,055.5
<b>Total liabilities and equity</b>	<b>549,557.8</b>	<b>6,458.5</b>	<b>6,035.0</b>	<b>0.0</b>	<b>250.0</b>	<b>13,013.4</b>	<b>575,314.7</b>
Difference, assets and liabilities	11,385.3	-3,924.5	-5,793.5	75.9	-8.3	-12,875.6	-11,140.8

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
<b>Assets</b>							
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
<b>Total assets</b>	<b>529,810.2</b>	<b>18,468.7</b>	<b>105.8</b>	<b>-2.5</b>	<b>241.7</b>	<b>128.5</b>	<b>548,752.4</b>
<b>Liabilities and equity</b>							
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
<b>Total liabilities and equity</b>	<b>530,023.3</b>	<b>18,515.8</b>	<b>1,235.0</b>	<b>0.0</b>	<b>250.0</b>	<b>13,419.1</b>	<b>563,443.1</b>
Difference, assets and liabilities	-213.1	-47.1	-1,129.2	-2.5	-8.3	-13,290.6	-14,690.7

## Sensitivity analysis of financial value

According to a fixed limit set by the Board of Directors, the exposure to interest rate risk in the portfolio may never exceed SEK 100 million given a one percentage point parallel shift in the yield curve. At year-end, the exposure (throughout the portfolio) amounted to SEK 24.5 (16.5) million given a one percentage point parallel shift (upwards) in the yield curve. An exposure with a positive value means an increase in the eco-

nomie value of assets and liabilities if the interest rate rises and a decrease in the economic value of assets and liabilities if the interest rate falls. If only transactions valued at fair value are taken into account, the result would change by SEK 288.0 (224.6) million given a one percentage point parallel shift (upwards) in all market interest rates.

## Note 3, continued

*Sensitivity analysis of the Company's net interest income*

The effect on the Company's net interest income is analysed based on two scenarios – a parallel upwards displacement of 100 basis points and a parallel downwards displacement 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 98.3 (101.4) 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 98.3 (101.4) 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 54.7 (81.4) 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 30 million in USD and SEK 20 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.

During 2023, SEK/EUR and SEK/USD exchange rates fluctuated by up to 17 percent for EUR and by 37 percent for USD with a 99-percent probability. On an annual basis, this corresponds to a capital requirement of SEK 14.6 (5.4) million.

Assets and liabilities by currency			Recognised value					
2023	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
Cash and balances with central banks	28,755.9	2,152.4	566.3	–	–	–	6.8	31,481.4
Sovereign bonds eligible as collateral	4,722.7	–	–	–	–	–	–	4,722.7
Lending to credit institutions	102.0	1.2	298.8	–	–	–	-0.1	401.9
Bonds and other interest-bearing securities	289.8	830.0	8,804.4	–	–	–	-7.8	9,916.4
Lending	513,863.5	–	–	–	–	–	-5,061.3	508,802.2
Derivatives	-91,036.5	9,990.1	77,010.6	7.1	863.3	–	10,988.2	7,822.8
Other assets	5,108.5	–	655.2	–	–	–	–	5,763.7
<b>Total assets</b>	<b>461,805.9</b>	<b>12,973.7</b>	<b>87,335.3</b>	<b>7.1</b>	<b>863.3</b>	<b>–</b>	<b>5,925.8</b>	<b>568,911.1</b>
<b>Liabilities</b>								
Liabilities to credit institutions	821.1	–	–	–	–	–	–	821.1
Securities issued	347,617.9	31,997.0	170,870.3	1,210.6	1,551.3	28.7	-9,743.5	543,532.3
Derivatives	95,547.5	-19,023.7	-83,560.0	-1,203.5	-688.0	-28.7	14,917.7	5,961.3
Other liabilities	6,530.1	–	23.6	–	–	–	987.2	7,540.9
Subordinated liabilities	–	–	–	–	–	–	–	–
Equity	11,286.6	–	–	–	–	–	-231.1	11,055.5
<b>Total liabilities and equity</b>	<b>461,803.2</b>	<b>12,973.3</b>	<b>87,333.9</b>	<b>7.1</b>	<b>863.3</b>	<b>0.0</b>	<b>5,930.3</b>	<b>568,911.1</b>
<b>Difference, assets and liabilities</b>	<b>2.7</b>	<b>0.4</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.5</b>	<b>0.0</b>
Effect (pre-tax) of a 10 percent increase in the SEK exchange rate compared to the foreign currency								
	0.0	0.0	0.1	0.0	0.0	0.0	-0.5	–



## Note 3, continued

Assets and liabilities by currency			Recognised value					
2022	SEK	EUR	USD	JPY	AUD	Other currencies	Fair value adjustment	Total
<b>Assets</b>								
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
<b>Total assets</b>	<b>397,107.2</b>	<b>6,303.9</b>	<b>145,223.8</b>	<b>23.7</b>	<b>1,594.9</b>	<b>224.9</b>	<b>2,778.1</b>	<b>553,256.5</b>
<b>Liabilities and equity</b>								
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
<b>Total liabilities and equity</b>	<b>397,107.9</b>	<b>6,305.1</b>	<b>145,222.0</b>	<b>23.6</b>	<b>1,594.9</b>	<b>224.9</b>	<b>2,778.1</b>	<b>553,256.5</b>
<b>Difference, assets and liabilities</b>	<b>-0.7</b>	<b>-1.2</b>	<b>1.8</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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

**Credit market risk**

Credit market risk is defined as the risk of loss or a negative effect on the Company's income as a result of changes in basis or credit spreads. Credit market risk is divided into two sub-categories: (a) credit spread risk on derivatives (CVA risk) and credit spread risk on lending, funding and investments, and (b) basis spread risk.

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

Credit spread risk on lending, funding and investments, and basis spread risk arises primarily as a consequence of imbalances in maturities between assets and liabilities valued at fair value. The Company restricts the credit market risk through good maturity matching between assets (loans and investments) and liabilities (funding and 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	2023	2022
Investments, fair value option	-0.5	-0.3
Lending	-25.6	-27.1
Funding	29.1	24.3
<b>Total</b>	<b>3.0</b>	<b>-3.1</b>

**Credit spread risk on derivatives (CVA risk)**

The credit spread risk on derivatives (CVA risk) derives from the risk of the Company's income statement being adjusted for the risk of changes in credit rating, or Credit Value Adjustment (CVA). CVA is a price adjustment applied to derivatives depending on the development of CDS prices, FX volatility and the exposure to the counterparty. CVA can be considered equal to the deviation from the risk-free price of a contract and is often interpreted as the market price for counterparty risk. At the end of the year, recognised CVA amounted to SEK 5.9 (8.6) 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 2023, the total capital requirement for credit market risk amounted to SEK 1,484.8 (1,609.6) 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 116.7 (55.4) 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 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.

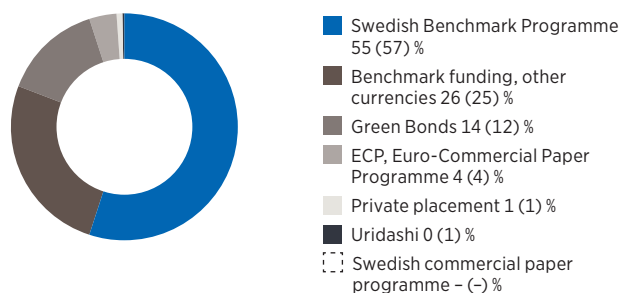
The Company's principal assignment is to act as a local government debt office and to ensure access to stable and efficient funding for the local government sector. The greatest risk that the Company will not be able to fulfil its assignment as a local government debt office is that the Company would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

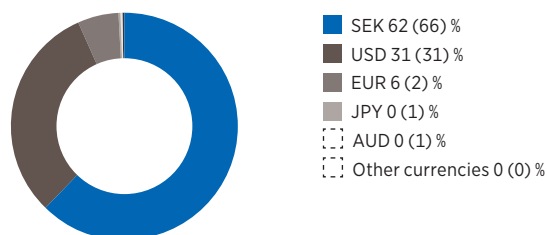
To ensure that funding activities provide the necessary conditions to cover lending and funding maturities, even under aggravated market conditions, the Company has access to liquid funding markets with broad investor bases. The Company's strategic funding markets are the Swedish Benchmark Programme 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**  
2023 (2022)



**Total funding by currency**  
2023 (2022)

**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 (2.3) years at the end of the year, if the earliest possible cancellation date is used in the calculation. In connection with cancellable funding, the investor has the right, under certain conditions, to request premature repayment of loaned funds.

At year-end, the average maturity on the Company assets amounted to 2.2 (2.3) years, with capital tied up in the Company's lending portfolio for an average 2.4 (2.4) years, and with capital tied up in the liquidity reserve for 0.4 (0.0) years.

**Maturity analysis**

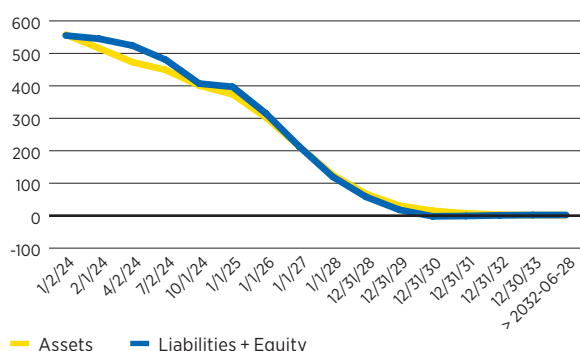
The maturity analysis below shows undiscounted cash flows, including amortisation and interest payments, based on the remaining agreed maturity dates. All flows are converted to Swedish kronor by applying a spot rate.

## Note 3, continued

## Maturity profile, balance sheet

31 Dec 2023

SEK bn

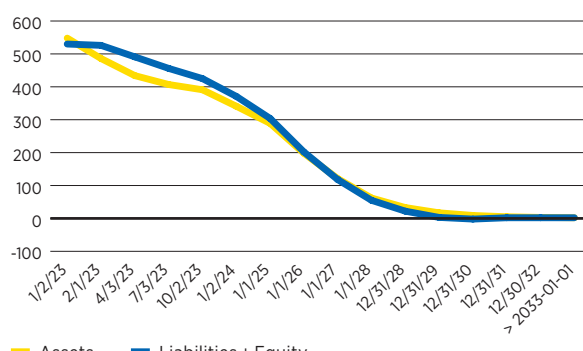


— Assets — Liabilities + Equity

## Maturity profile, balance sheet

31 Dec 2022

SEK bn



— Assets — Liabilities + Equity

	Contractual, non-discounted cash flows							Recognised value
2023	On demand	0–3 months	3 months–1 year	1–5 years	> 5 years	No maturity	Total	
<b>Assets</b>								
Cash and balances with central bank	4,722.7	-	-	-	-	-	4,722.7	4,722.7
Sovereign bonds eligible as collateral	-	28,512.6	2,485.2	591.0	-	-	31,588.8	31,481.4
Lending to credit institutions	-	401.9	-	-	-	-	401.9	401.9
Bonds and other interest-bearing securities	-	1,222.5	2,213.8	7,150.0	-	-	10,586.3	9,916.4
Lending	-	55,231.7	100,082.8	341,252.1	47,964.4	-	544,531.0	508,802.2
Derivatives	-	2,854.6	8,240.7	10,116.2	779.9	-	21,991.4	7,822.8
Other assets	-	5,763.7	-	-	-	-	5,763.7	5,763.7
<b>Total assets</b>	<b>4,722.7</b>	<b>93,987.0</b>	<b>113,022.5</b>	<b>359,109.3</b>	<b>48,744.3</b>	<b>-</b>	<b>619,585.8</b>	<b>568,911.1</b>
<b>Liabilities</b>								
Liabilities to credit institutions	-	821.1	-	-	-	-	821.1	821.1
Securities issued	-	34,816.0	129,586.0	372,404.3	45,622.8	-	582,429.1	543,532.3
Derivatives	-	4,194.8	6,150.0	11,081.1	126.4	-	21,552.3	5,961.3
Other liabilities	-	7,540.9	-	-	-	-	7,540.9	7,540.9
Subordinated liabilities	-	-	-	-	-	-	0.0	0.0
Equity	-	-	-	-	-	11,055.5	11,055.5	11,055.5
<b>Total liabilities and equity</b>	<b>-</b>	<b>47,372.8</b>	<b>135,736.0</b>	<b>383,485.4</b>	<b>45,749.2</b>	<b>11,055.5</b>	<b>623,398.9</b>	<b>568,911.1</b>
<b>Total difference</b>	<b>4,722.7</b>	<b>46,614.2</b>	<b>-22,713.5</b>	<b>-24,376.1</b>	<b>2,995.1</b>	<b>-11,055.5</b>	<b>-3,813.1</b>	<b>0.0</b>
Committed undisbursed loans	-	-	-	-	-	-	0.0	-
Committed, undisbursed loans <sup>1</sup>	-	-373.3	-89.5	240.9	283.1	-	61.2	

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

## FINANCIAL STATEMENTS

### Note 3, continued

	Contractual, non-discounted cash flows							
2022	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	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 undisbursed loans	0.0	-	-	-	-	-	0.0	-
Committed, undisbursed loans <sup>1</sup>	-	-479.2	12.9	522.1	-	-	55.8	-

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 official requirements by a good margin in accordance with the CRR regulations, the Company's LCR, as of 31 December 2023, was 216.5 (398.3) percent and 211.8 (1,860.8) percent

in USD and 684.3 (844.4) percent in SEK and 195.0 (-) percent in EUR (see the table on the next page).

For measures of structural liquidity risk, the Company measures and monitors the stable net 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 140.1 (143.3) percent.

## Note 3, continued

Liquidity Coverage Ratio (LCR) in accordance with the CRR regulations	2023				2022			
	Total	USD	SEK	EUR	Total	USD	SEK	EUR
Extremely highly liquid assets (Level 1), excluding covered bonds	43,835.5	881.9	31,988.8	268.1	60,459.5	314.6	57,186.6	-
Extremely highly liquid covered bonds (Level 1)	-	-	-	-	-	-	-	-
Highly liquid assets (Level 2)	-	-	-	-	-	-	-	-
<b>Liquidity buffer, SEK million</b>	<b>43,835.5</b>	<b>881.9</b>	<b>31,988.8</b>	<b>268.1</b>	<b>60,459.5</b>	<b>314.6</b>	<b>57,186.6</b>	<b>-</b>
Cash outflows, SEK million	-29,762.3	-1,665.4	-14,632.1	-137.6	-20,179.3	-67.6	-9,123.4	-
Cash inflows, SEK million	9,513.4	1,966.9	9,957.7	0.1	5,001.0	971.8	2,351.3	-
<b>Net cash outflow, SEK million</b>	<b>-20,249.0</b>	<b>-416.4</b>	<b>-4,674.4</b>	<b>-137.5</b>	<b>-15,178.3</b>	<b>-16.9</b>	<b>-6,772.1</b>	<b>-</b>
<b>Liquidity coverage ratio (%)</b>	<b>216.5</b>	<b>211.8</b>	<b>684.3</b>	<b>195.0</b>	<b>398.3</b>	<b>1,860.8</b>	<b>844.4</b>	<b>-</b>

**Operational risks**

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events, including legal risks.

Operational risk is inherent in the Company's operations and cannot be completely avoided, eliminated or transferred to another party. However, through good governance and control, Kommuninvest can reduce the likelihood of this risk arising and can reduce the consequences that may arise as a result of operational risk.

**Risk management**

Operational risks exist throughout the operations and can never be completely avoided. Risk management and analysis are performed continuously. Self-assessment, incident management, approval processes in connection with amendments, and contingency and continuity planning are among the methods used to identify, manage and analyse operational risk.

The risks are mitigated by good governance and control, thus keeping operational risk at a controlled and acceptable level. Risk management within Kommuninvest comprises uniform measurement and reporting of operational risks. An analysis of the level of risk in all operations is performed on a regular basis and reported to the Board of Directors, the President and CEO and management. The operational risk unit within the Risk and Control department bears overall responsibility for the methods and procedures used to measure, identify, control, assess, analyse, evaluate and report operational risks. The process of managing operational risk is performed based on Kommuninvest's risk appetite and the processes essential to the operations.

**Methods for identifying, managing and analysing operational risks****Risk indicators**

Risk indicators are a measure of the effects of governance and control within the Company, and are to be monitored and analysed continuously to alert the Board of Directors of the risk situation in the operations. Reviewing these indicators serves to inform the Board of Directors 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.

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.



## Note 3, continued

**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 111.5 (82.6) 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 manages its stakeholder risk by ensuring a healthy risk culture, 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 work of the regulatory compliance department is risk-based and 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 department. The department reports regularly on the current risk situation to the CEO and the Board of Directors.

This also includes the CFA's reporting on regulatory compliance risks associated with financial crime.

**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 2022, the Swedish Financial Supervisory Authority (Finansinspektionen) decided to increase the buffer value to 1.0 percent, applicable as of 29 September 2023.

Capital base	2023	2022
Capital Instruments <sup>1</sup>	10,175.0	9,475.0
Retained earnings	863.0	676.2
Accumulated other comprehensive income and other reserves	17.5	17.5
<b>Core Tier I capital before regulatory adjustments</b>	<b>11,055.5</b>	<b>10,168.7</b>
Further value adjustments	-286.1	-236.6
Latent tax	-	-13.9
Intangible assets	-12.3	-8.3
<b>Total regulatory adjustments to core Tier I capital</b>	<b>-298.4</b>	<b>-258.8</b>
<b>Total core Tier I capital</b>	<b>10,757.1</b>	<b>9,909.9</b>
Tier I capital contributions	-	-
<b>Total Tier I capital</b>	<b>10,757.1</b>	<b>9,909.9</b>
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>10,757.1</b>	<b>9,909.9</b>

1) For a more detailed description of the constituent instruments, see page 52.

## Note 3, continued

Risk exposure amounts and minimum capital amounts	2023			2022		
	Risk exposure	Capital requirement, percent	Capital requirement	Risk exposure	Capital requirement, percent	Capital requirement
<b>Capital requirement, Pillar I</b>						
Capital requirement for credit risks (the standardised method)	177.4	8%	14.2	456.9	8%	36.6
of which, institutional exposures	80.3	8%	6.4	352.6	8%	28.2
of which, corporate exposures	97.0	8%	7.8	104.3	8%	8.4
Operational risks, basic indicator method	1,394.5	8%	111.6	1032.9	8%	82.6
Credit valuation adjustment	1,459.1	8%	116.7	692.6	8%	55.4
<b>Total risk exposure amount and minimum capital amount</b>	<b>3,031.0</b>	<b>8.0%</b>	<b>242.5</b>	<b>2,182.4</b>	<b>8.0%</b>	<b>174.6</b>

Capital adequacy ratios	2023	2022
Core Tier I capital ratio	354.9%	454.1%
Tier I capital ratio	354.9%	454.1%
Total capital ratio	354.9%	454.1%

Specific capital base requirements for risks other than insufficient leverage ratio <sup>1</sup>	2023		2022	
Additional capital base requirements, Common Equity Tier I capital	42.1%	1,275.1	42.1%	918.1
Additional capital base requirements, Tier I capital	14.0%	424.9	14.0%	306.0
Additional capital base requirements, Tier II capital	18.7%	566.8	18.7%	408.1
<b>Total specific capital base requirements for risks other than insufficient leverage ratio</b>	<b>74.8%</b>	<b>2,266.9</b>	<b>74.8%</b>	<b>1,632.2</b>

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

Combined buffer requirement	2023		2022	
Capital conservation buffer	2.5%	75.8	2.5%	54.6
Countercyclical buffer	2.0%	60.6	0.6%	13.7
Systemic risk buffer	-	-	-	-
<b>Total buffer requirements</b>	<b>4.5%</b>	<b>136.4</b>	<b>3.1%</b>	<b>68.3</b>
<b>Core Tier I capital available for use as buffer</b>	<b>272.1%</b>	<b>8,247.8</b>	<b>371.3%</b>	<b>8,103.1</b>

Total risk-based capital base requirement	2023		2022	
Capital base requirement, Pillar I	8.0%	242.5	8.0%	174.6
Capital base requirement, Pillar II requirement <sup>1</sup>	74.8%	2,266.9	74.8%	1,632.2
Combined buffer requirement	4.5%	136.4	3.1%	68.3
Pillar II guidance <sup>1</sup>	-	-	-	-
<b>Total assessed capital base requirement</b>	<b>87.3%</b>	<b>2,645.7</b>	<b>85.9%</b>	<b>1,875.1</b>

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

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

Leverage ratio		2023	2022
Total assets		568,911.1	553,256.5
Less asset amounts deducted to determine the core Tier I capital		-251.6	-258.8
Adjustment for derivative instruments		-6,522.3	-12,702.5
Deduction in the form of exposure to members and their companies		-508,802.2	-470,675.9
Plus possible change in risk in connection with repo transactions		0.5	0.7
<b>Total exposure</b>		<b>53,335.4</b>	<b>69,620.0</b>
<b>Tier 1 capital, calculated applying transitional rules</b>		<b>10,757.1</b>	<b>9,909.9</b>
<b>Leverage ratio</b>		<b>20.17%</b>	<b>14.23%</b>

Leverage ratio, capital base requirements	2023		2022	
Capital base requirement, Pillar I	3.0%	1,600.1	3.0%	2,089.0
Capital base requirement, Pillar II requirement <sup>1</sup>	-	-	-	-
Pillar II guidance <sup>1</sup>	-	-	-	-
<b>Total assessed capital base requirement</b>	<b>3.0%</b>	<b>1,600.1</b>	<b>3.0%</b>	<b>2,089.0</b>

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

## Internally 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	2023	2022
<b>Capital requirement, Pillar II</b>		
Credit risk	30.0	48.3
Market risks	1,554.0	1,696.4
Capital planning buffer	280.6	764.3
<b>Total internally assessed capital requirement (Pillar II), excluding the risk of insufficient leverage ratio</b>	<b>1,864.6</b>	<b>2,509.0</b>
Internally assessed capital requirement for the risk of insufficient leverage ratio	1,695.5	1,032.1
<b>Total internally assessed capital requirement (Pillar II)</b>	<b>3,560.1</b>	<b>3,541.1</b>

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 page 36.

## Note 3, continued

**Capital targets**

The Company's capital target for 2023 amounts to SEK 7,200 (6,900) million, corresponding to a 1.0 percent leverage ratio plus the Board of Directors' buffer of SEK 1,200 (1,400) million. In relation to the Company's capital base, which amounts to SEK 10,757.1 (9,909.9) 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 page 36; for details of capital targets, see the table.

Capital targets	2023	2022
Internally estimated capital requirements	4,200	3,900
Estimated capital requirement (for the Group) according to Finansinspektionen	6,000	5,500
Board of Directors' buffer	1,200	1,400
<b>Capital targets</b>	<b>7,200</b>	<b>6,900</b>

**Liquidity<sup>1</sup>**

Liquidity Coverage Ratio (LCR)	2023	2022
Total high-quality liquid assets (HQLA) (weighted value)	76,881.2	83,408.5
Cash outflows – total weighted values	38,959.2	39,260.1
Cash inflows – total weighted values	12,404.4	11,680.9
Net cash outflows (adjusted value)	26,554.9	27,596.9
Liquidity coverage ratio, %	302.8	342.9

<sup>1</sup>Refers to average figures for the year

Net Stable Funding Ratio (NSFR)	2023	2022
Total available stable financing	442,613.9	419,521.3
Total need for stable financing	316,006.6	292,669.3
NSFR, %	140.1	143.3

**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 ceased after 30 June 2023.

During 2023, 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.

Outstanding exposures with USD LIBOR reference rates maturing after June 2023 were converted during the year. Changes of reference interest rate during the reference interest reform were conducted on the premise that the exchange must be economically neutral for each party.

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.

**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 2023 (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 2023, collateral received amounted to SEK 119.0 (101.3) 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.

	2023
Liabilities to credit institutions	821.1
Securities issued	543,532.3
<b>Total funding</b>	<b>544,353.4</b>

**LIABILITIES, according to statement of undertaking**

On-lent funding <sup>1</sup>	497,831.0
Funding not on-lent <sup>2</sup>	46,522.4
<b>Total funding</b>	<b>544,353.4</b>
Derivatives, linked to on-lent funding <sup>1</sup>	13.2
Other liabilities <sup>2</sup>	7,540.8
<b>Total liabilities/undertaking</b>	<b>7,554.0</b>

**ASSETS, according to statement of undertaking**

Lending <sup>1</sup> , see Note 15	508,802.2
Liquidity reserve <sup>2</sup> , see Notes 3, 14, 16	46,522.4
Derivatives, linked to on-lent funding <sup>1</sup>	934.4
Other assets <sup>2</sup>	5,763.7
<b>Total assets</b>	<b>562,022.7</b>

<sup>1</sup> Basis of allocation: Percentage equivalent to each member's share of Kommuninvest's total lending.

<sup>2</sup> 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

	2023	2022
<b>Interest revenues</b>		
Interest revenues according to effective interest method	20,482.6	4,780.0
<i>of which, lending</i>	17,598.2	4,272.7
<i>of which, interest-bearing securities</i>	2,884.4	507.3
Other interest revenues	361.2	133.9
<b>Total</b>	<b>20,843.8</b>	<b>4,913.9</b>
<i>Of which: interest revenues from financial items not measured at fair value through the income statement</i>	15,389.9	3,604.1
<b>Interest expenses</b>		
Interest expenses according to effective interest method	-19,474.8	-4,179.8
<i>of which, liabilities to credit institutions</i>	-	-9.0
<i>of which, securities issued</i>	-19,474.1	-4,166.7
<i>of which lending, negative lending rate</i>	-0.7	-4.1
Other interest expenses	-378.6	-68.3
<b>Total</b>	<b>-19,853.4</b>	<b>-4,248.1</b>
<i>Of which: interest expenses from financial items not measured at fair value through the income statement</i>	-15,315.9	-3,255.2
<b>Net interest income</b>	<b>990.5</b>	<b>665.8</b>

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, see the comments of the income statement on page 49.

## Note 5 Commission expenses

	2023	2022
Payment agency commissions	8.4	8.1
Brokerage for securities	3.8	3.1
Other commissions	0.9	0.5
<b>Total</b>	<b>13.1</b>	<b>11.7</b>

## Note 6 Net result of financial transactions

	2023	2022
Realised profit	-8.4	1.7
<i>of which, interest-bearing securities</i>	-	-
<i>of which, other financial instruments</i>	-8.4	1.7
Unrealised changes in market value	59.3	-209.5
Exchange rate changes	-3.3	-1.0
<b>Total</b>	<b>47.6</b>	<b>-208.8</b>

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

<b>Net gain/loss by measurement category</b>	2023	2022
Financial assets at fair value through the income statement	2,751.4	-3,267.8
<i>of which, compulsory</i>	575.8	-49.6
<i>of which, fair value option</i>	2,175.6	-3,218.2
Financial assets measured at amortised cost	-0.1	0.2
Financial liabilities at fair value through the income statement	-2,786.7	2,928.3
<i>of which, held for trade</i>	2,366.7	-3,084.1
<i>of which, fair value option</i>	-5,153.4	6,012.4
Financial liabilities measured at amortised cost	-	-
Change in fair value of derivatives that are hedging instruments in fair value hedge	6,980.1	-10,088.1
Change in fair value of derivatives that are hedging instruments in a fair value hedge, portfolio	-1,893.0	2,494.8
Change in fair value on hedged item with regard to hedged risk in fair value hedging	-6,899.9	10,229.3
Change in fair value on hedged item with regard to hedged risk in fair value hedging, portfolio	1,899.1	-2,504.5
Exchange rate changes	-3.3	-1.0
<b>Total</b>	<b>47.6</b>	<b>-208.8</b>
<b>Results (net)</b>		
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 0.1 (0.2) million. The amount comprises the sale of a Riksbank Certificate. The sale was motivated by changed conditions for the short-term liquidity planning. The figure for the preceding year figure pertains to compensation of SEK 0.2 million for a difference in interest rates pertaining to prematurely discontinued lending. In all instances, discontinuation has been on the customer's initiative.



## Note 7 Other operating income

	2023	2022
Capital gain on divestments of tangible assets	0.2	–
Revenue from contracts with customers	10.6	9.7
Other operating income	4.1	2.2
<b>Total</b>	<b>14.9</b>	<b>11.9</b>

All revenues from contracts with customers relate to revenues from a financial management service, K1 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 K1 Finans system are capitalised as an intangible asset and recognised under IAS 38 Intangible Assets, and current expenses attributable to K1 Finans are expensed in accordance with IFRS 15, paragraph 96. No specific expenses associated with the contracts are paid by the customer.

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

## Note 8 General administration expenses

In TSEK	2023	2022
<b>Payroll expenses</b>		
Salaries and emoluments	80,856	74,488
Social security contributions	44,683	40,706
of which, social security contributions and wage debt for social security contributions	25,330	22,901
of which, pension expenses	15,568	14,283
of which, special payroll tax on pension expenses	3,785	3,523
Temporary/contract personnel	6,278	4,946
Education/training expenses	2,506	2,317
Other payroll expenses	3,620	3,504
<b>Total payroll expenses</b>	<b>137,943</b>	<b>125,961</b>
<b>Other general administration expenses</b>		
Travel expenses	1,883	1,930
IT expenses	31,195	27,048
Consultancy fees	29,043	13,914
Rating expenses	5,162	2,254
Market data	6,850	8,662
Rent and other expenses for premises	6,889	6,481
Annual Report and interim report	463	626
Other expenses	23,303	25,574
<b>Total other general administration expenses</b>	<b>104,787</b>	<b>86,488</b>
<b>Total</b>	<b>242,730</b>	<b>212,450</b>

\*From January 2022, the resolution fee is booked on the same legal line as the risk tax imposed. In previous years, the resolution fee has been booked under Other general administration expenses. The resolution fee for 2023 amounted to SEK 17.1 million.

### 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 2023. No non-recurring remuneration has been approved in connection with new appointments, nor has any severance been paid to Board Members, the President and CEO or other senior executives. No individual employee receives compensation equivalent to EUR 1 million or more per financial year.

### Remuneration to senior executives

Remuneration for the President and CEO has been decided by the Board. For 2023, the President and CEO received TSEK 3,879 (3,819) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to TSEK 979 (1,244) 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 2,266 (2,219) in basic salary for 2023. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to TSEK 734 (723) and are covered by insurance. For termination initiated by the Company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration details regarding other senior executives only include remunerations paid during the period in which each individual has been a senior executive. At the end of the year, other senior executives consisted of 7 (6) people, of whom 3 (2) were women and 4 (4) were men. For further information regarding the composition of Company management and changes during the year, see page 43.

Remuneration to other senior executives in Company management has been determined by the Board. During 2023, the total remuneration to senior executives who were part of the Executive Management Team amounted to TSEK 11,251 (8,912). The pension expenses are covered through insurance.

In accordance with the work plan for the Board of Directors established in 2023, 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 4 (5) were women. Erik Langby is the Chairman of the Board. The 2023 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	2023	2022
Erik Langby was appointed as Chairman in March 2023	533	330
Mats Filipsson	330	330
Lars Heikensten	330	330
Anette Henriksson	330	330
Catrina Ingelstam	330	330
Rickard Simonsson was appointed in March 2023	248	-
Kristina Sundin Jonsson	330	330
Ellen Bramness Arvidsson stepped down in March 2023	150	600
Mattias Bokenblom, employee representative	-	-
Kristin Ekblad, employee representative	-	-
<b>Total</b>	<b>2,580</b>	<b>2,580</b>

**Wages and remunerations**

2023, in TSEK	Basic salary / Board fee	Other benefits	Pension expense	Total
Board of Directors	2,580	-	-	2,580
President and CEO	3,879	29	979	4,888
Deputy CEO	2,266	-	734	3,000
Others in Company management	9,154	13	2,084	11,251
Other salaried employees	62,975	263	11,770	75,008
<b>Total</b>	<b>80,855</b>	<b>305</b>	<b>15,568</b>	<b>96,728</b>

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	723	2,941
Others in Company management	6,690	23	2,170	8,883
Other salaried employees	59,180	195	10,146	69,521
<b>Total</b>	<b>74,488</b>	<b>333</b>	<b>14,283</b>	<b>89,105</b>

Average number of employees	2023	2022
Average number of employees during the year	104	98
of whom, women	43	39

**Auditing engagement**

At the Company's 2020 Annual General Meeting, KPMG AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2024. Auditing work refers to the scrutiny of the annual report and bookkeeping and administration by the Board of Directors and President, other tasks that are the responsibility of Kommuninvest i Sverige AB's auditors, and other advice or assistance brought about by observations from such audits and/or performance of other tasks. The term Other audit services refers to quality assessment services, such as reviews resulting in reports or attestations intended for recipients including others than the client. Other services refers to those not included in any of the above.

Emoluments and expenses for the auditors, KPMG AB	2023	2022
Auditing engagement	1,226	1,792
Other audit services	864	708
Other Services	-	-

**Leasing**

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

The tables below show future leasing fees in accordance with RFR 2 and leasing expenses for the period in 2023. 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 expenses are attributable to the Company's rental of office premises from the subsidiary Kommuninvest Fastighets AB.

Future leasing fees	
Within 1 year	8,236
2-5 years	154
More than 5 years	-
<b>Total</b>	<b>8,390</b>

Leasing expenses for the period	2023	2022
Leasing expenses	7,091	6,223
of which, variable leasing fees	-	-

**Note 9 Other operating expenses**

	2023	2022
Insurance expenses	1.6	1.6
Communication and information	1.0	1.6
Other operating expenses	0.0	0.2
<b>Total</b>	<b>2.6</b>	<b>3.4</b>

**Note 10 Net credit losses**

	2023	2022
Cash and balances with central banks	0.4	0.4
Sovereign bonds eligible as collateral	0.3	0.4
Lending to credit institutions	0.5	0.6
Lending	1.9	4.5
Bonds and other interest-bearing securities	-0.3	0.0
Off-balance sheet items	0.0	0.0
<b>Total</b>	<b>2.8</b>	<b>5.9</b>

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

**Note 11 Fees imposed: Risk tax and resolution fee**

	2023	2022
Risk tax	325.9	257.3
Resolution fee	17.1	25.0
<b>Total</b>	<b>343.0</b>	<b>282.3</b>

**Note 12 Taxes**

Recognised in income statement	2023	2022
Current tax expense	80.0	3.0
Deferred tax expense (+) / tax income (-) attributable to temporary differences	14.0	-14.0
Adjustment of taxes attributable to previous years	-	-
<b>Total tax expense recognised</b>	<b>94.0</b>	<b>-11.0</b>

Reconciliation of effective tax	2023	2022
Profit before tax	449.2	-53.0
Tax according to prevailing tax rate	20.6% 92.5	20.6% -11.0
Non-deductible expenses/ Non-taxable revenues	0.3% 1.5	- -
<b>Recognised effective tax</b>	<b>20.9% 94.0</b>	<b>20.6% -11.0</b>

Tax items entered directly against equity	2023	2022
Current tax on Group contributions paid	80.0	3.0
<b>Total sum entered directly against equity</b>	<b>80.0</b>	<b>3.0</b>

**Recognised deferred tax assets and liabilities**

The Company has no deferred tax liability. Deferred tax assets are attributable to the following:	2023	2022
<b>Tax assets, opening balance</b>	14.0	-
Deferred tax income in tax value capitalised over the year through tax-loss carryforwards	-14.0	14.0
<i>Of which, recognised in the income statement</i>	-14.0	14.0
<b>Tax assets, closing balance</b>	<b>0.0</b>	<b>14.0</b>

**Note 13 Proposed distribution of earnings**

	2023
<i>The Board of Directors proposes that:</i>	
Net profit	355.2
Profit or loss brought forward	495.5
<b>Total</b>	<b>850.7</b>
<i>Be appropriated as follows:</i>	
To be carried forward	850.7

For more information, see Page 32.

**Note 14 Sovereign bonds eligible as collateral**

	2023				2022			
	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	26,993.8	1,763.0	28,756.8	28,754.0	28,872.6	1,817.1	30,689.7	30,688.1
- foreign governments	-	2,724.6	2,724.6	2,725.2	-	-	-	-
<b>Total</b>	<b>26,993.8</b>	<b>4,487.6</b>	<b>31,481.4</b>	<b>31,479.2</b>	<b>28,872.6</b>	<b>1,817.1</b>	<b>30,689.7</b>	<b>30,688.1</b>
Positive difference of book values exceeding nominal values	-	8.7	-	-	-	-	-	-
Negative difference of book values falling below nominal values	-	-59.8	-	-	-	-16.3	-	-
<b>Total</b>	<b>-</b>	<b>-51.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16.3</b>	<b>-</b>	<b>-</b>

## Note 15 Lending

	2023				2022			
	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	170,759.5	78,799.9	249,559.3	248,736.9	144,380.2	77,565.1	221,945.3	221,322.5
– housing companies with municipal guarantees	117,721.3	44,497.9	162,219.2	161,260.7	108,484.2	49,987.7	158,471.9	157,589.9
– other companies with municipal guarantees	67,850.9	29,172.8	97,023.7	96,514.6	61,190.8	29,067.9	90,258.7	89,636.6
<b>Total</b>	<b>356,331.6</b>	<b>152,470.6</b>	<b>508,802.2</b>	<b>506,512.2</b>	<b>314,055.2</b>	<b>156,620.7</b>	<b>470,675.9</b>	<b>468,549.0</b>

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

	2023				2022			
	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
– other foreign issuers	5,587.9	4,328.5	9,916.4	9,913.0	755.9	4,957.1	5,713.0	5,713.1
<b>Total</b>	<b>5,587.9</b>	<b>4,328.5</b>	<b>9,916.4</b>	<b>9,913.0</b>	<b>1,505.9</b>	<b>5,246.4</b>	<b>6,752.3</b>	<b>6,752.6</b>
Positive difference of book values exceeding nominal values	–	–	101.0	–	–	–	7.3	–
Negative difference of book values falling below nominal values	–	–	-86.3	–	–	–	-56.2	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>14.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-48.9</b>	<b>–</b>

## Note 17 Shares and participations in subsidiaries

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

	2023	2022
Number of shares: 1,000	42.1	42.0
<b>Total</b>	<b>42.1</b>	<b>42.0</b>

As per 31 December 2023, Kommuninvest Fastighets AB had a balance sheet total of SEK 48.3 (45.5) million, equity of SEK 42.1 (42.0) million and generated a loss 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 2023. Kommuninvest does not enter into any new hedging relationships of this kind.

Kommuninvest includes hedge accounting linked to Stibor, for which the nominal amount totals slightly less than SEK 556.6 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	2023	2022	2023	2022	2023	2022		
<i>Derivatives in hedging relationship</i>											
Derivatives in hedging of interest rate risk	86,356.8	358,185.5	58,967.8	503,510.1	507,070.8	4.3	225.4	-92.8	-224.5	6,983.4	-10,054.1
Derivatives in hedging of interest rate risk, portfolio	6,663.0	46,432.0	4,151.0	57,246.0	41,441.0	-	-	-0.5	-	-1,893.0	2,494.8
Derivatives in hedging of interest rate and currency risk	-	-	-	-	-	-	-	-	-	-	-34.0
Total	93,019.8	404,617.5	63,118.8	560,756.1	548,511.8	4.3	225.4	-93.3	-224.5	5,090.3	-7,593.3
Average interest rate	3.10%	3.43%	3.02%								
<i>Derivatives not used for hedging</i>											
Interest rate-related	117,108.4	152,339.0	3,632.5	273,080.0	253,874.5	160.1	77.6	-0.7	-44.2		
Currency-related	96,750.5	87,559.8	13,820.3	198,130.6	163,740.6	7,658.4	16,050.0	-5,580.7	-1,311.3		
Other	1,079.5	-	-	1,079.5	5,524.7	-	-	-286.6	-1,254.2		
Total	214,938.4	239,898.8	17,452.8	472,290.0	423,139.8	7,818.5	16,127.6	-5,868.0	-2,609.8		
Total	307,958.1	644,516.3	80,571.6	1,033,046.1	971,651.6	7,822.8	16,353.0	-5,961.3	-2,834.2		

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Lending in an interest rate risk hedge	138,614.6	130,794.6	-4,169.0	-9,893.4	-	-	-	-	5,724.3	-9,333.1
Investment in an interest rate risk hedge	5,587.9	1,505.9	13.9	-11.7	-	-	-	-	25.6	-12.0
Funding in an interest rate risk hedge	-	-	-	-	-338,337.3	341,852.9	8,587.6	-21,242.6	-29,830.2	19,541.0
Funding in an interest rate and currency risk hedge	-	-	-	-	-	-	-	0.0	-	33.4
Hedged item, portfolio	57,246.0	41,441.0	-987.2	-2,886.3	-	-	-	-	1,899.1	-2,504.5
<b>Total</b>	<b>201,448.4</b>	<b>173,741.5</b>	<b>-5,142.3</b>	<b>-12,791.4</b>	<b>-338,337.3</b>	<b>341,852.9</b>	<b>8,587.6</b>	<b>-21,242.6</b>	<b>-22,181.1</b>	<b>7,724.8</b>

Total hedging inefficiency	2023	2022
<i>Interest rate risk hedging</i>		
Derivatives	6,983.4	-10,054.1
Funding	-29,830.2	19,541.0
Lending	5,724.3	-9,333.1
Investment	25.6	-12.0
Portfolio	6.1	-9.7
<b>Total</b>	<b>-17,090.7</b>	<b>132.1</b>
<i>Interest rate and currency risk hedging</i>		
Derivatives	0.0	-34.0
Funding	0.0	33.4
<b>Total</b>	<b>0.0</b>	<b>-0.6</b>

All inefficiency is recognised in net result of financial transactions.



**Note 19** Intangible assets

	2023	2022
<i>Acquisition value</i>		
Acquisition value brought forward	36.5	36.5
Investments for the year	–	–
Disposals and scrappings	–	–
<b>Acquisition value carried forward</b>	<b>36.5</b>	<b>36.5</b>
<i>Depreciation</i>		
Opening balance, depreciation	-18.0	-11.7
Depreciation for the year	-6.2	-6.3
Disposals and scrappings	–	–
<b>Depreciation carried forward</b>	<b>-24.2</b>	<b>-18.0</b>
<b>Planned residual value at the end of the accounting period</b>	<b>12.3</b>	<b>18.5</b>

Kommuninvest's intangible assets consist of business systems developed in-house.

**Note 20** Tangible assets

	2023	2022
<i>Acquisition value</i>		
Acquisition value brought forward	28.1	27.9
Investments for the year	2.3	0.2
Disposals and scrappings	-0.6	–
<b>Acquisition value carried forward</b>	<b>29.8</b>	<b>28.1</b>
<i>Depreciation</i>		
Opening balance, depreciation	-23.7	-21.9
Depreciation for the year	-2.0	-1.8
Disposals and scrappings	0.5	–
<b>Depreciation carried forward</b>	<b>-25.2</b>	<b>-23.7</b>
<b>Planned residual value at the end of the accounting period</b>	<b>4.6</b>	<b>4.4</b>

Tangible assets mainly comprise IT equipment and office equipment.

**Note 21** Other assets

	2023	2022
Receivables from subsidiaries	3.0	1.8
Marginal collateral pledged	5,625.9	676.5
Other assets	34.8	7.4
<b>Total</b>	<b>5,663.7</b>	<b>685.7</b>

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

	2023	2022
Liabilities to parent society	447.0	14.6
Marginal collateral received	5,583.0	14,738.7
Other liabilities	466.0	306.6
<b>Total</b>	<b>6,496.0</b>	<b>15,059.9</b>

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

	2023	2022
Provisions for off-balance sheet commitments	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

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

**Note 24** Pledged assets, contingent liabilities and commitments

	2023	2022
<b>Pledged assets</b>		
<i>In the form of assets pledged for own provisions and liabilities</i>		
Deposited at the Riksbank		
– government bonds	–	–
– state-related securities	5,131.6	3,004.8
Assets pledged for derivative contracts		
– cash collateral according to collateral agreements for derivative contracts	5,625.9	676.5
– securities according to collateral agreements for derivative contracts	2,302.5	3,283.4
<b>Assets pledged, total</b>	<b>13,060.1</b>	<b>6,964.8</b>
<b>Contingent liabilities</b>	None	None
<b>Committed undisbursed loans</b>	629.8	549.2
<b>Committed undisbursed loans</b>	–	–

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 2023, 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	2023	583	-	-	225	447,033
Kommuninvest Cooperative Society	2022	972	-	-	213	14,572
Kommuninvest Fastighets AB	2023	293	5,016	-	3,293	1,306
Kommuninvest Fastighets AB	2022	35	4,522	-	1,800	-

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

2023	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	4,722.7	-	-	-	-	4,722.7	4,722.7
Sovereign bonds eligible as collateral	27,565.3	-	-	3,916.1	-	31,481.4	31,479.2
Lending to credit institutions	401.9	-	-	-	-	401.9	401.9
Lending	356,331.6	-	-	152,470.6	-	508,802.2	505,525.1
Bonds and other interest-bearing securities	5,587.9	-	-	4,328.5	-	9,916.4	9,913.0
Derivatives	-	-	7,818.5	-	4.3	7,822.8	7,822.8
Other financial assets	5,648.7	-	-	-	-	5,648.7	5,648.7
Total	400,258.1	-	7,818.5	160,715.2	4.3	568,796.1	565,513.4
Financial liabilities							
Liabilities to credit institutions <sup>1</sup>	821.1	-	-	-	-	821.1	821.1
Securities issued <sup>1</sup>	359,777.2	-	-	183,755.0	-	543,532.3	543,773.7
Derivatives	-	5,868.0	-	-	93.3	5,961.3	5,961.3
Change in value of interest-hedged items in portfolio hedging	987.2	-	-	-	-	987.2	987.2
Other financial liabilities	6,166.4	-	-	-	-	6,166.4	6,166.4
Total	367,751.9	5,868.0	-	183,755.0	93.3	557,468.3	557,709.7

1) The nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 558,580.8 (549,472.6) million.

## Note 26, continued

## 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 <sup>1</sup>	1,487.5	-	-	-	-	1,487.5	1,487.4
Securities issued <sup>1</sup>	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 558,580.8 (549,472.6) 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 currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads.

*Note 26, continued*

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

*Lending to credit institutions, other assets and other liabilities*

For these items, the recognised value is an acceptable approximation of fair value. Lending to credit institutions comprises bank accounts and short-maturity repo transactions. Other assets and liabilities consist primarily of pledged assets/cash collateral received, accounts receivable and payable, open items, as well as Group-internal receivables and debts.

*Significant assumptions and uncertainty factors*

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

An increase in the lending price, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in net profit of SEK 256 (270) million. An increase in the borrowing 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 291 (243) 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 +/- 35 (+/- 28) million. A 10 bp shift up or down in the valuation curve for the financial instruments valued in accordance with level 3 would entail an immaterial change in net profit as Kommuninvest ceased issuing structured funding in 2021 and only a small number of such contracts remain.

All of the above changes refer to 31 December 2023 (comparative figures refer to 31 December 2022) 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 a risk-free 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. The effect on net profit from the variation described above is immaterial as Kommuninvest ceased issuing structured funding products in 2021 and only a small number of contracts now remain.

*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 2023 Interim Report. For previous changes, see Note 6 in Kommuninvest's 2023 Interim 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

2023	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sovereign bonds eligible as collateral	2,153.1	1,763.0	-	3,916.1
Lending	-	152,470.6	-	152,470.6
Bonds and other interest-bearing securities	2,713.3	1,615.2	-	4,328.5
Derivatives	-	7,822.4	0.4	7,822.8
<b>Total</b>	<b>4,866.4</b>	<b>163,671.2</b>	<b>0.4</b>	<b>168,538.0</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions	-	-	-	-
Securities issued	93,166.9	89,379.9	1,208.2	183,755.0
Derivatives	-	5,672.5	288.8	5,961.3
<b>Total</b>	<b>93,166.9</b>	<b>95,052.5</b>	<b>1,497.0</b>	<b>189,716.4</b>
<b>2022</b>				
<b>Financial assets</b>				
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
<b>Total</b>	<b>-</b>	<b>180,034.7</b>	<b>2.5</b>	<b>180,037.2</b>
<b>Financial liabilities</b>				
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
<b>Total</b>	<b>46,962.5</b>	<b>109,769.4</b>	<b>5,837.6</b>	<b>162,569.5</b>

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

	Recognised value 31 Dec 2023	Recognised value 31 Dec 2022
<b>Assets</b>		
To level 1 from level 2	-	-
To level 2 from level 1	-	2,469.5
<b>Liabilities</b>		
To level 1 from level 2	10,176.6	-
To level 2 from level 1	22,419.0	65,306.3

Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. The movements are attributable variations in the indicators that Kommuninvest uses to demarcate between 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 2023 and 31 December 2022 for the preceding period.



## Note 26, continued

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

2023	Level 1	Level 2	Level 3	Total fair value	Recognised value
<b>Financial assets</b>					
Cash and balances with central banks	-	4,722.7	-	4,722.7	4,722.7
Sovereign bonds eligible as collateral	572.1	26,991.0	-	27,563.1	27,565.3
Lending to credit institutions	-	401.9	-	401.9	401.9
Lending	-	353,054.5	-	353,054.5	356,331.6
Bonds and other interest-bearing securities	4,380.4	1,204.2	-	5,584.5	5,587.9
Other assets	-	5,648.7	-	5,648.7	5,648.7
<b>Total</b>	<b>4,952.4</b>	<b>392,023.0</b>	<b>-</b>	<b>396,975.4</b>	<b>400,258.1</b>
<b>Financial liabilities</b>					
Liabilities to credit institutions	-	821.1	-	821.1	821.1
Securities issued	-	359,775.1	-	359,775.1	359,777.2
Change in value of interest-hedged items in portfolio hedging	-	987.2	-	987.2	987.2
Other liabilities	-	6,166.4	-	6,166.4	6,166.4
<b>Total</b>	<b>-</b>	<b>367,749.7</b>	<b>-</b>	<b>367,749.7</b>	<b>367,751.9</b>
<b>2022</b>					
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>	<b>Recognised value</b>
<b>Financial assets</b>					
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
<b>Total</b>	<b>309.5</b>	<b>370,658.9</b>	<b>-</b>	<b>370,968.4</b>	<b>373,096.6</b>
<b>Financial liabilities</b>					
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
<b>Total</b>	<b>-</b>	<b>379,989.9</b>	<b>-</b>	<b>379,989.9</b>	<b>380,215.7</b>

## Changes in level 3

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

	Derivative assets	Derivative liabilities	Securities issued	Total
<b>Opening balance, 1 Jan 2023</b>	<b>2.5</b>	<b>-1,426.6</b>	<b>-4,411.0</b>	<b>-5,835.1</b>
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-2.1	1,137.8	-1,105.7	30.0
Loans raised/Issues	-	-	-	-
Maturing during the year	-	-	4,308.5	4,308.5
<b>Closing balance, 31 Dec 2023</b>	<b>0.4</b>	<b>-288.8</b>	<b>-1,208.2</b>	<b>-1,496.7</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 Dec 2023	0.6	-9.9	-163.6	-172.9
<b>Opening balance, 1 Jan 2022</b>	<b>91.2</b>	<b>-567.2</b>	<b>-5,149.5</b>	<b>-5,625.5</b>
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
<b>Closing balance, 31 Dec 2022</b>	<b>2.5</b>	<b>-1,426.6</b>	<b>-4,411.0</b>	<b>-5,835.1</b>
Gains and losses recognised in the income statement (net result of financial transactions) for assets included in the closing balance as per 31 Dec 2022	-3.6	-218.5	179.6	-42.5

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.

2023	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			Net amount
				Financial instruments	Provided (+)/ Received (-) collateral – security	Provided (+)/ Received (-) cash collateral	
<b>Assets</b>							
Derivatives	20,450.4	-12,627.6	<b>7,822.8</b>	-1,186.4	-119.0	-5,583.0	<b>934.4</b>
Repos	–	–	–	–	–	–	–
<b>Liabilities</b>							
Derivatives	-22,175.2	16,213.9	<b>-5,961.3</b>	1,186.4	–	4,761.8	<b>-13.2</b>
Repos	-821.1	–	<b>-821.1</b>	–	821.1	–	<b>0.0</b>
<b>Total</b>	<b>-2,546.0</b>	<b>3,586.3</b>	<b>1,040.3</b>	<b>0.0</b>	<b>702.1</b>	<b>-821.2</b>	<b>921.2</b>

2022	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet <sup>1</sup>	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
<b>Assets</b>							
Derivatives	32,214.0	-15,861.0	<b>16,353.0</b>	-2,105.8	-101.3	-14,042.6	<b>103.3</b>
Repos	-	-	-	-	-	-	-
<b>Liabilities</b>							
Derivatives	-28,290.6	25,456.4	<b>-2,834.2</b>	2,105.8	-	624.8	<b>-103.6</b>
Repos	-1,487.5	-	<b>-1,487.5</b>	-	1,487.5	-	-
<b>Total</b>	<b>2,435.9</b>	<b>9,595.4</b>	<b>12,031.3</b>	<b>-</b>	<b>1,386.2</b>	<b>-13,417.8</b>	<b>-0.3</b>

1) The amount offset for derivative liabilities includes cash collateral of SEK 3,586.3 (9,595.4) 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 2019–2023, SEK, million	2023	2022	2021	2020	2019
<b>Equity</b>					
Core Tier I capital ratio (%)	354.9	454.1	397.1	302.5	126.8
Tier I capital ratio (%)	354.9	454.1	397.1	302.5	126.8
Total capital ratio (%)	354.9	454.1	397.1	302.5	126.8
Leverage ratio (%)	20.2	14.2	15.4	10.6	12.3
<b>Net profit</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Operating income	713.0	419.6	425.9	462.2	573.4
Operating expenses, excluding the resolution fee/risk tax, as % of lending <sup>1</sup>	0.050	0.048	0.051	0.051	0.054
Operating expenses, excluding the resolution fee/risk tax, as % of balance sheet total <sup>1</sup>	0.045	0.040	0.045	0.043	0.047
Return on assets (%)	0.062	-0.008	0.072	0.034	0.065
Cost/income ratio	0.252	0.330	0.376	0.342	0.295
<b>Other information</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Number of employees at the end of the year (excl. part-time employees)	109	101	102	97	93
<b>Income statement 1 January – 31 December, SEK, million</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net interest income	990.5	665.8	680.8	711.3	827.5
Dividends received	3.0	1.8	2.1	1.9	2.4
Commission expenses	-13.1	-11.7	-11.4	-12.7	-11.3
Net result of financial transactions	47.6	-208.8	47.6	-247.7	-201.5
Other operating income	14.9	11.9	10.2	11.6	9.3
<b>Total operating income</b>	<b>1,042.8</b>	<b>459.0</b>	<b>729.3</b>	<b>464.4</b>	<b>626.4</b>
<b>Total expenses</b>	<b>-253.5</b>	<b>-223.9</b>	<b>-259.5</b>	<b>-247.5</b>	<b>-246.9</b>
<b>Net profit before credit losses</b>	<b>789.4</b>	<b>235.1</b>	<b>469.8</b>	<b>216.9</b>	<b>379.5</b>
Net credit losses	2.8	-5.9	6.3	11.1	12.6
Fees imposed: Risk tax and resolution fee	-343.0	-282.3	-	-	-
Impairment of financial assets	-	-	-	-	-
<b>Operating profit</b>	<b>449.2</b>	<b>-53.1</b>	<b>476.1</b>	<b>228.0</b>	<b>392.1</b>
Tax	-94.0	11.0	-100.5	-48.3	-84.2
<b>Net profit</b>	<b>355.2</b>	<b>-42.1</b>	<b>375.6</b>	<b>179.7</b>	<b>307.9</b>
<b>Balance sheet summary as at 31 December, SEK million</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash and balances with central bank	4,722.7	26,217.2	7,672.5	18,931.2	811.1
Sovereign bonds eligible as collateral	31,481.4	30,689.7	30,724.1	28,035.2	17,686.3
Lending to credit institutions	401.9	1,763.4	1,334.7	1,669.6	21,917.2
Lending	508,802.2	470,675.9	460,650.3	445,788.8	408,218.1
Change in value of interest-hedged item in portfolio hedging	-	-	-	33.9	-
Bonds and other interest-bearing securities	9,916.4	6,752.3	15,529.8	13,822.9	7,722.6
Derivatives	7,822.8	16,353.0	5,729.3	2,429.4	11,967.0
Other assets	5,763.7	805.0	2,621.0	16,652.6	2,998.4
<b>Total assets</b>	<b>568,911.1</b>	<b>553,256.5</b>	<b>524,261.7</b>	<b>527,363.6</b>	<b>471,320.7</b>
Liabilities to credit institutions	821.1	1,487.5	277.7	947.0	4,027.7
Securities issued	543,532.3	520,777.0	506,080.1	498,305.9	446,763.0
Derivatives	5,961.3	2,834.2	3,851.4	18,977.6	3,484.5
Change in value of interest-hedged item in portfolio hedging	987.2	2,886.3	381.8	-	0.7
Other liabilities	6,553.7	15,102.8	4,048.4	428.9	9,442.8
Subordinated liabilities	-	-	-	-	-
<b>Total liabilities and provisions</b>	<b>557,855.6</b>	<b>543,087.8</b>	<b>514,639.4</b>	<b>518,659.4</b>	<b>463,718.7</b>
Equity	11,055.5	10,168.7	9,622.3	8,704.2	7,602.0
<b>Total liabilities, provisions and equity</b>	<b>568,911.1</b>	<b>553,256.5</b>	<b>524,261.7</b>	<b>527,363.6</b>	<b>471,320.7</b>

# Alternative performance measurements

In this annual report, Kommuninvest i Sverige AB has chosen to present a number of alternative key ratios 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			
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.	<b>Reconciliation</b>	<b>2023</b>	<b>2022</b>
		Operating profit	449.2	-53.1
		Result of unrealised changes in market value	-59.3	209.5
		Net credit losses	-2.8	5.9
		Risk tax	325.9	257.3
		<b>Operating income</b>	<b>713.0</b>	<b>419.6</b>
Leverage ratio including lending to members and their companies	Kommuninvest's Tier I capital divided by the total exposure amount excluding exposures in the form of Kommuninvest's lending to members and their companies. The key ratio is relevant in showing that Kommuninvest meets, by a good margin, the Swedish Financial Supervisory Authority's (Finansinspektionen) leverage ratio requirement and Pillar II guidance, which for the Group amounts to 1.0 percent.	Total exposure according to current regulations	53,335.4	69,633.9
		Exposure in the form of lending to members and their companies	509,117.1	470,950.5
		<b>Total exposure including lending to members and their companies</b>	<b>562,452.5</b>	<b>540,584.4</b>
		Tier I capital, calculated applying transitional rules	10,757.1	9,909.9
		<b>Leverage ratio including lending to members and their companies</b>	<b>1.91%</b>	<b>1.83%</b>
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	-242.7	-212.4
		Depreciation	-8.2	-8.1
		Other operating expenses	-2.6	-3.4
		Total operating expenses	-253.5	-223.9
		Resolution fee/risk tax	-	-
		<b>Total operating expenses excluding resolution fee/risk tax</b>	<b>-253.5</b>	<b>-223.9</b>
		<b>Lending as per the closing date</b>	<b>508,802.2</b>	<b>470,675.9</b>
		<b>Operating expenses, excluding the resolution fee/risk tax, as % of lending</b>	<b>0.050</b>	<b>0.048</b>
		General administration expenses	-242.7	-212.4
		Depreciation	-8.2	-8.1
		Other operating expenses	-2.6	-3.4
		Total operating expenses	-253.5	-223.9
		Resolution fee/risk tax	-	-
		<b>Total operating expenses excluding resolution fee/risk tax</b>	<b>-253.5</b>	<b>-223.9</b>
		<b>Balance sheet total as per the closing date</b>	<b>568,911.1</b>	<b>553,256.5</b>
		<b>Operating expenses, excluding the resolution fee/risk tax, as % of balance sheet total</b>	<b>0.045</b>	<b>0.040</b>
Return on assets (%)	Net profit in relation to total assets, expressed as a percentage. Key ratios presented in accordance with FFFS 2008:25 Chapter 6, Section 2a.	Net profit	355.2	-42.1
		Total assets	568,911.1	553,256.5
		<b>Return on assets (%)</b>	<b>0.062</b>	<b>-0.008</b>
Cost/income ratio	Total operating expenses in relation to net interest income and other operating income. An established key ratio in the banking sector for assessing the relationship between operating expenses and revenues.	<b>Total expenses</b>	<b>-253.5</b>	<b>-223.9</b>
		Net interest income	990.5	665.8
		Other operating income	14.9	11.9
		<b>Total net interest income and other operating income</b>	<b>1005.4</b>	<b>677.7</b>
		<b>Cost/income ratio</b>	<b>0.252</b>	<b>0.330</b>

# Signatures

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

Stockholm

Erik Langby  
*Chairman*

Lars Heikensten  
*Board Member*

Catrina Ingelstam  
*Board Member*

Mats Filipsson  
*Board Member*

Rickard Simonsson  
*Board Member*

Kristina Sundin Jonsson  
*Board Member*

Anette Henriksson  
*Board Member*

Mattias Bokenblom  
*Employee representative*

Kristin Ekblad  
*Employee representative*

Katarina Ljungqvist  
*President and CEO*

Our Audit Report was submitted on

KPMG AB

Tobias Lilja  
*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 2023. The annual accounts of the Company are included on pages 23–93 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 2023 and its financial performance and cash flow for the year 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 163,671 million classified as level 2, financial assets of SEK 0.4 million classified as level 3, financial liabilities of SEK 95,053 million classified as level 2 and financial liabilities of SEK 1,497 million classified as level 3. In total, these assets and liabilities represent 29 percent of the Company's total assets and 17 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.

#### 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.*

#### 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.

**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 3–21. 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 2023 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 2023. 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.

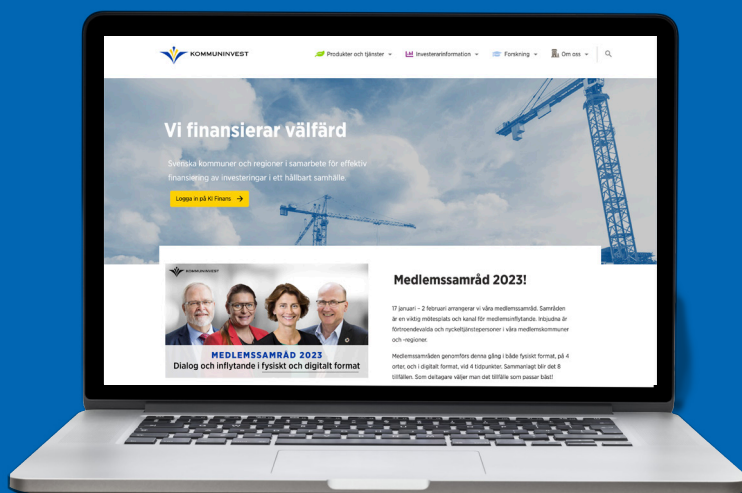
The review measures mainly comprise a validation of whether the ESEF report has been prepared in a valid XHTML format and whether a reconciliation of the ESEF report agrees with the audited annual accounts.

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

KPMG AB

Tobias Lilja  
*Authorised Public Accountant*



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

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



**KOMMUNINVEST**

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