



ANNUAL REPORT

2008

KOMMUNINVEST

Under turbulent market conditions characterised by a significantly altered view of risk, Kommuninvest reinforced its position as both a lender and an issuer. Our role as a guarantor for effective municipal financing was clarified, and our lending was at its highest level ever.

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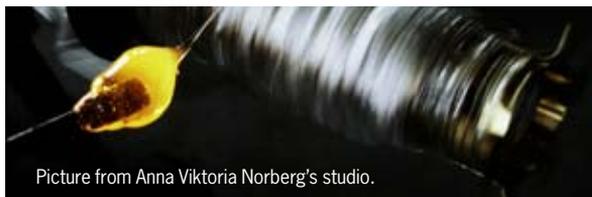
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Swedish studio glass appears in this year's Annual Report. These photos show work by members of Glasakademin (the Glass Academy), an association of independent Swedish glass artists running their own businesses.

The techniques and expressions vary. Some of the artists blow their own glass at their own glassworks, or share glassworks with other artists. Others work with glass casting or with grinding, sandblasting and other cold techniques.

Their common denominator is the glass as a means of artistic expression. And they are all personally responsible for what they produce.

[www.glasakademin.se](http://www.glasakademin.se) and [www.studioglasmuseum.net](http://www.studioglasmuseum.net)



Picture from Anna Viktoria Norberg's studio.

Cover photo: »Koya III», by Christian von Sydow.  
Photograph:: Morten von Sydow.

»Iceblue», by Blomqvist-Westman.  
Photograph: Sture Ekendal.



## RESULTS

# 2008

13 municipalities and county councils became new members.

Lending was up 34% to SEK 104.7 billion.

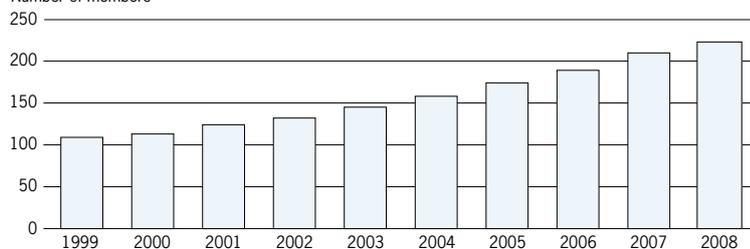
The balance sheet total increased by 30% to SEK 142.7 billion.

Net profit was SEK 44.5 million.

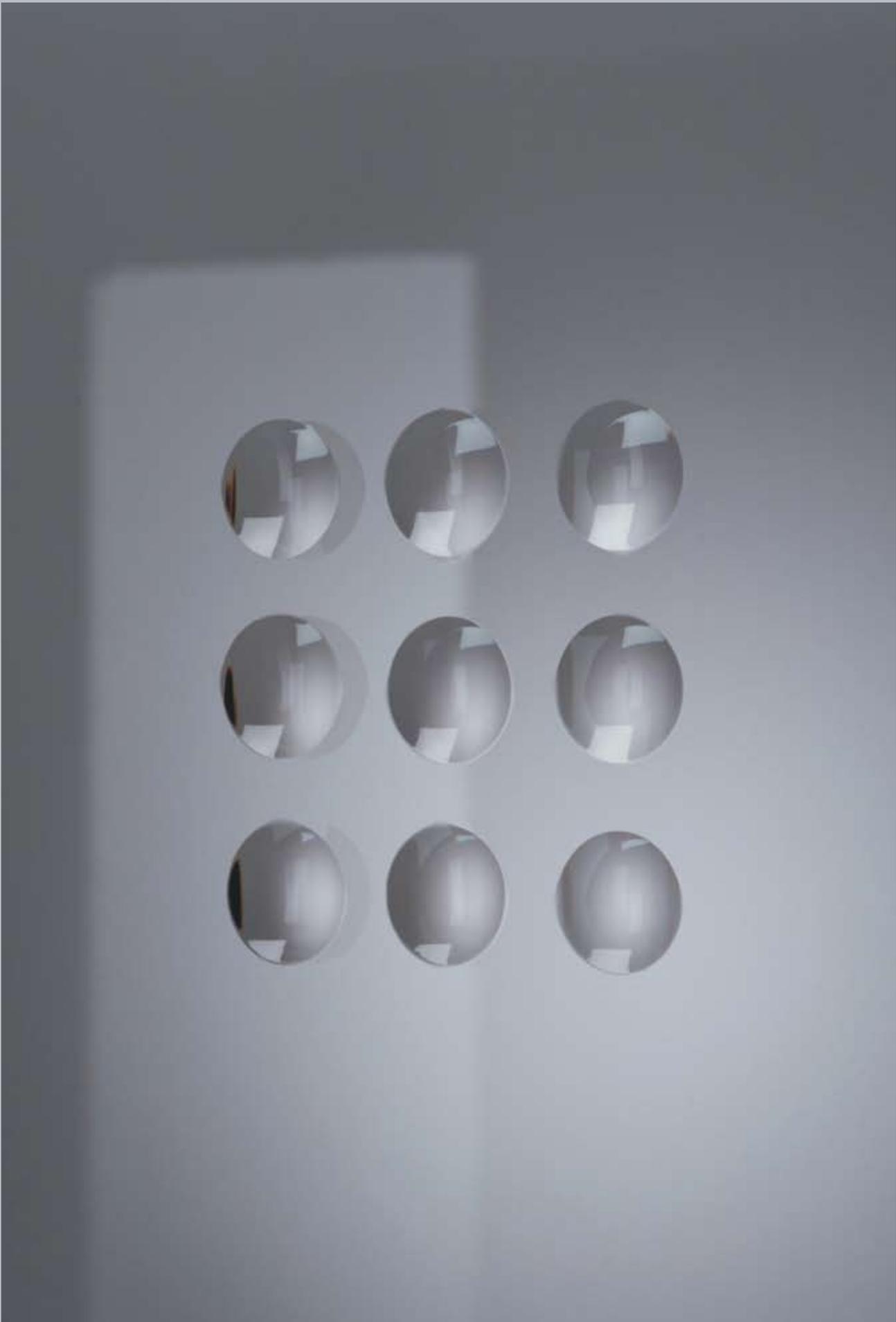
Kommuninvest has held the market's highest ratings since 2006: Aaa (Moody's), AAA (Standard & Poor's).

### Membership 1999–2008

Number of members



**Swedish Coat of Arms.** To clarify Kommuninvest's strong connection to the Swedish public sector, Sweden's lesser coat of arms is used in marketing and presentations in international contexts.



"Kalejdoskop" by Anna Carlgren. From the series Optical Phenomena and Architectural Phenomena Fenomen.  
Photograph: Anders Qvarnström

## A SAFE SOURCE OF FINANCE REGARDLESS OF ECONOMIC CLIMATE

*During a period in which global financial markets are trembling, Kommuninvest is seeing one of its best years ever and reinforcing its position as a lender to the municipal sector. Above all, we are performing a central part of our business – we ensure that we are able to safeguard our members' financing in all market situations.*

2008 was the year in which the concept "refinancing risk" became a reality for more or less everyone with a borrowing requirement. Even municipalities and county councils were affected. The credit taps that had been flowing copiously for a considerable time were abruptly turned off, and risk premiums shot through the roof. The borrowing of money could no longer be taken for granted.

This was a development that was difficult to predict at the start of the year, even though a general tightening of credit could be expected. Most analysts believed at the time that the significant credit losses already taken, and which could be linked to mainly American and major international business banks, would suffice to stabilise the financial markets. At the same time a number of questions were raised linked to both the development for the world economy and the stability of the financial systems. Signs of palpable cooling-off effects in the global economy had become increasingly apparent. But the fact that we were facing a recession deeper than most of us had ever experienced in our lifetime was not perceived to be particularly likely.

When Lehman Brothers was permitted to go bankrupt in mid-September, a historical error from what we can tell, conditions changed drastically for both the financial sector and for the real economy. We know now that the financial crisis will redraw the financial landscape for a long time to come, stricter rules and more stringent monitoring being just some of the initiatives undertaken. Unfortunately, the real economic effects to date have exceeded the most pessimistic forecasts.

### **A record year**

In this economic climate characterised by great



uncertainty, Kommuninvest is achieving some very strong results. During 2008 we more than doubled our operating profit to SEK 75.3 million and increased lending by 32%. Our growth in membership is continuing, and at the time of writing we are representing 76% of municipalities in Sweden and 35% of county councils.

Kommuninvest has benefited from the move to safe counterparts. We have launched several successful borrowing programmes, which have helped to extend our range of cost-effective loan products. Above all, we have been able to meet

*We have launched several successful borrowing programmes, which have helped to widen our range of cost-effective loan products.*

the need for finance at a time when our members have found the doors of several banks closed.

It is really not all that strange that Kommuninvest is achieving success in these uncertain times. We have a solid, simple business model which focuses on financing basic society functions. Our creditworthiness is exceptionally good thanks to both an explicit guarantee from our owners and

their implicit guarantee from the Swedish state. And we hold an exceptional position thanks to our role as a Swedish Local Government Debt Office. All of this appeals to investors looking for secure investments.

### **“Lender of last resort”**

What several of our members found over a few terrifying weeks in October 2008 was that being left with cancelled credit arrangements with practically no notice gives rise to a number of reflections.

The first relates to what Kommuninvest does and the reasons why we exist. Kommuninvest's task to promote an effective market for municipal finance means – under normal market condi-

*It is in turbulent times that the very foundations of what we do are revealed – to secure our members' access to any finance at all.*

tions – that above all we have to guarantee finance terms which are attractive in the long term. But it is in turbulent times that the very foundations of what we do are revealed – to secure our members' access to any finance at all. Kommuninvest is our members' “lender of last resort”.

In the autumn of 2008, the situation was incredibly stressful at times: over the course of a month, we saw an influx of member enquiries to Kommuninvest, corresponding to more than SEK 40 billion. Of course, the fact that we were able to meet all these needs gives us a great sense of satisfaction and is an acknowledgement that Kommuninvest is able to do its job even when the chips are down.

Another reflection relates to whether it is appropriate to finance municipal assets with loans which can be cancelled within a week. There is just cause for many of us who work with municipal financing to use newly acquired experience to review borrowing strategies with regard to – among other things – the risk of refinancing and how derivative instruments may be used.

Here at Kommuninvest, we are convinced that a simple model for debt management, with well

considered use of derivative instruments, will win out in the long run. The more complexity you build into the model, the harder it is to assess the effects of market movements – but also to switch positions. The fact that the many structured derivative solutions we see on the market are not always appropriate has been demonstrated very clearly by the financial crisis. In our view, several municipalities have interest risks in their debt portfolios which are hard to assess.

### **New financing strategy reinforces Kommuninvest range**

Kommuninvest has not come through the financial crisis unscathed. At the start of the credit crunch it became apparent that our strategy for short-term borrowing was not up to scratch, which affected our pricing on short loan products and contributed to reduced lending volumes. Since we implemented a revised financial strategy in the first six months of 2008, pricing on our short-term loan products with flexible interest rates has improved significantly, and

this is also reflected in recovered market share. The pricing of our fixed interest rate products has been very competitive throughout the entire credit crunch.

Like many other players on the financial market, Kommuninvest was affected by the bankruptcy of Lehman Brothers. Lehman Brothers was one of Kommuninvest's counterparts, and we incurred losses when securities demanded were not supplied and when contracts entered into with Lehman Brothers had to be replaced with other contracts. These losses were, however, relatively small.

This incident signalled to us that despite the increasing level of caution we had employed since the start of the credit crunch, our risk control system was not sufficiently developed to capture market movements at the pace which characterised the fall of Lehman Brothers. We now monitor major counterpart exposures more systematically.

### **Capitalisation and liability issues in focus for member consultations**

The shared values approach here at Kommuninvest is unique, and I am quite convinced that it

will become even more important in the future. This can be seen at member consultations, among other things, where the Chairman and Vice Chairman of the Board, along with Kommuninvest's management, meet elected representatives and officials in order to discuss and secure current issues. In times of financial unrest and major changes, we need to be well informed and to talk to one another, and the member consultations this year were attended by more people than before.

The member consultations, held directly after the end of the year, dealt with incidents and issues from 2008. The need to reinforce Kommuninvest's capital base was one of the major issues discussed. To support its lending, Kommuninvest has a capital base which is very restricted in a banking context. Before the financial crisis, this did not really hinder operations due to Kommuninvest's exceptional creditworthiness. However, during the financial crisis the restricted capital base has proven to be an encumbrance, as the level for what is regarded to be sufficient capitalisation was raised for both banks and public credit institutions. At the member consultations, we developed a common approach regarding the need to gradually increase Kommuninvest's equity. One way of achieving this is through accumulated profits. The increase in the capital base must be viewed as part of our efforts to maintain and reinforce Kommuninvest's attractiveness as a borrower.

The member consultations also discussed the issue of what liabilities the members actually have through the joint and several guarantees, based in part on the clarifications concerning liabilities when members join and leave the society which were introduced to the regulations of the society in 2008. In 2009, the Swedish National Financial Management Authority's Financial Reporting Council will be providing new instructions on how the undertakings of municipalities and county councils in respect of Kommuninvest are to be reported.

### **Kommuninvest importance increasing**

Membership has taken on more and more importance for individual members: according to our calculations, Kommuninvest's share of members' borrowing amounted to between 55 and 60% at

the end of 2008, compared with approximately 46% one year previously. This enormous increase has to be viewed against the background of the uncertain economic climate. When times are good, there is good access to credit and lenders are more aggressive in their hunt for market shares. But the opposite is true when times are lean, and this is when the need for Kommuninvest is at its greatest.

Development as regards growth in both membership and lending is entirely in line with our vision of being a Swedish Local Government Debt Office for all municipalities and county councils in Sweden. Our ambition is to fulfil the entire local government sector's needs in terms of financing and general strategic financial advice, and to be a member organisation in the field of public funding. Already we act on finance issues with the best interests of the entire municipal sector at heart.

It is important to point out Kommuninvest's firm basic principle on voluntary action as regards both membership and the entitlement to utilise services. Members must be free to determine for themselves which lender they want to approach.

### **Common administration of municipal pension liability?**

One very topical issue with major financial impact for Kommuninvest members is that of municipal pension liability. Pension payouts will accelerate over the coming years, particularly for those parts of the pension liability processed prior

*The shared values approach at Kommuninvest is unique, and I am quite convinced that it will become even more important in the future.*

to the structural change of the municipal pension system in 1998. The issue of how municipalities and county councils ought to handle their pension commitments with regard to liquidity planning and liability management has occupied our minds in various ways over the year.

The strategy for managing the pension liability varies from municipality to municipality/county

council to county council and is dependent upon the financial criteria and other considerations. The municipalities and county councils that are net borrowers should show restraint with external management as this will in practice be loan-financed. In our view, most municipalities would benefit more from utilising the opportunity to reloan in order to manage their pension liabilities. With reloaning, municipalities and county councils – supported by the existing asset mass – can use external borrowing as required when the ongoing pension payouts arise.

*In times of economic uncertainty Kommuninvest's role is particularly important.*

Viewed in relation to the overall pension liability, we are of the opinion that more common solutions would lead to more effective administration. It is not logical for liability management to be spread out over 300 locations all over Sweden. By establishing a collective buffer fund, which would consist mainly of reloans, we could bring in the pension liability of the entire municipal sector for collective management. This would make the most of benefits of scale in a completely different way than the current situation allows, as well as helping to enhance transparency and clarity.

#### **The public housing sector in focus for investigation**

2008 saw the appearance of the high profile investigation on the public housing sector in which Kommuninvest and lending to housing companies owned by municipalities were discussed, among other things. This investigation may affect both municipalities and Kommuninvest.

As things stand at present, we do not know whether the investigation's proposals in terms of restrictions on lending opportunities in respect of public housing companies will result in new regulations. Quite regardless, such restrictions should be completely manageable. Instead of lending directly to the public housing companies, there is

nothing to stop Kommuninvest lending to their owners, who can set up a group structure and act as an internal bank for their housing companies. More than half of Kommuninvest's members already have this arrangement in place.

#### **Sterling effort from Kommuninvest staff**

2008 has, at times, been exceptionally stressful for staff at Kommuninvest. Many of them have worked far harder than anyone could reasonably expect of them, and they have helped to make 2008 a record year in several respects.

To handle the ever more stringent demands being made as a result of Kommuninvest's growth and its role as a Swedish Local Government Debt Office, we have reinforced our organisation in a number of areas over the year, from both a risk and a customer perspective.

After several years with staff numbers largely unchanged, we grew by more than 15% in 2008. Further recruitments will take place in 2009. Even with the planned additional staff, Kommuninvest will have an organisation which is relatively slim. Just over 40 staff handle a balance sheet total in excess of SEK 140 billion.

#### **Well prepared**

We are going into 2009 full of confidence as regards Kommuninvest's opportunities to meet its responsibilities; and as I have touched upon, the prospects are very good. However, the outlook for the Swedish economy and our members is unfortunately bleak. Many of our members face several difficult years, with perceptible financial challenges as a consequence of reduced income and increased costs. Kommuninvest's role is particularly important in such times. My staff and I will do what we can to ensure that Kommuninvest continues to be the secure, natural partner for municipal financial management.



Tomas Werngren  
President and CEO



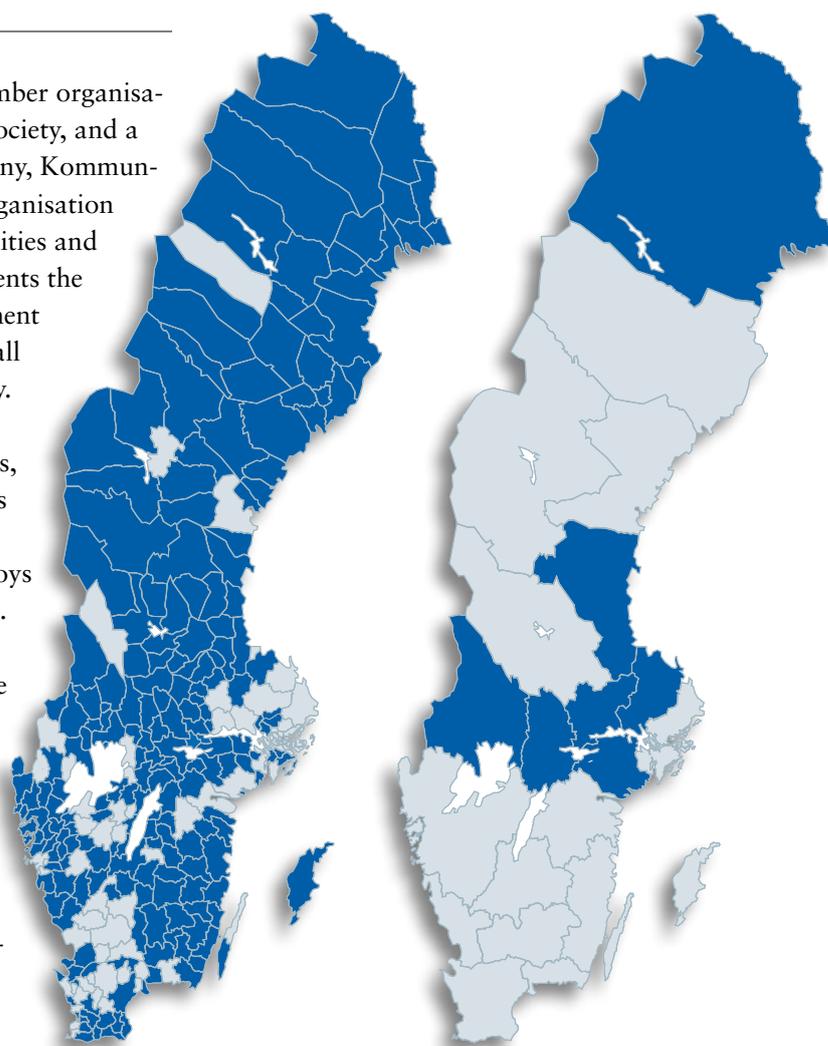
»Hubbabubba goes happy»  
by Esmé Alexander.

## A PUBLIC FUNDING ORGANISATION OWNED BY SWEDISH MUNICIPALITIES AND COUNTY COUNCILS

*Kommuninvest is a financial organisation focused entirely on creating the best possible conditions for the financial operations in the Swedish municipal sector. We lend exclusively to members of Kommuninvest, and to their majority-owned corporations.*

Kommuninvest is made up of a member organisation, Kommuninvest Cooperative Society, and a wholly-owned credit market company, Kommuninvest i Sverige AB. The member organisation is open to all of Sweden's municipalities and county councils. The Society represents the Swedish local and regional government sectors in funding issues and owns all shares in the credit market company. Kommuninvest i Sverige AB offers members access to competitive loans, debt management and other services that contribute to effective financial administration. The company employs 44 staff and has an office in Örebro.

Kommuninvest was founded in 1986 by nine municipalities and one county council in order to reduce finance expenses through cooperation. At the end of 2008, Kommuninvest had 223 members, of which 216 were municipalities and 7 county councils. This means that 76% of all Swedish municipalities and 35% of all county councils are members of Kommuninvest.



*Municipality members  
31 December 2008*

*County council members  
31 December 2008*

THIS ANNUAL REPORT RELATES TO KOMMUNINVEST I SVERIGE AB (PUBL)

# SWEDISH LOCAL GOVERNMENT DEBT OFFICE

*Our ambition is to act as a Swedish Local Government Debt Office for all municipalities and county councils in Sweden*

## Business concept

Kommuninvest i Sverige AB's remit is to create the best possible long-term conditions for its owners' financial operations based on a foundation of municipal values. It achieves this by providing access to competitive loans, debt management and other services that contribute to effective financial administration.

## Objectives

### Membership growth

Membership growth is helping to reinforce Kommuninvest's position as a borrower. Our objective is for all municipalities and county councils to be members by 2015. At the end of 2008, 76% of municipalities and 35% of county councils were members.

### Proportion of members' total financing

One important indicator of our competitiveness is the proportion of the municipal sector's financing that takes place through Kommuninvest. Our objective is for this proportion to exceed 50% and remain stable. At the end of 2008, this proportion amounted to 58%.

### Rating

A steady high credit rating is the single most important factor for Kommuninvest in accessing cost-effective borrowing and other finance solutions, and consequently it is also crucial to our ability to grow. Since 2006, Kommuninvest has held the highest possible credit rating given by two rating institutions.

## Vision

### The Company's vision

Kommuninvest is the natural choice for Swedish

municipalities and county councils when it comes to financial administration. Competitive solutions, efficient service and sound advice mean happy customers.

In its role as a Swedish Local Government Debt Office that benefits society, Kommuninvest occupies an exceptional position in the market. Players on the financial market consider Kommuninvest a stable, efficient and knowledgeable business partner that represents the part of the public sector comprising municipalities and county councils. Its personnel perceive Kommuninvest – and contribute to its standing – as a workplace focused on quality and knowledge with clear controls and follow-up, where the individual is motivated, happy and can develop.

## Core values

By actively integrating and living up to Kommuninvest's core values – Quality, Clarity, Participation and a Holistic Approach – in its day to day work, Kommuninvest will be perceived as stable, efficient and knowledgeable.

### New members, 2008

Member no. 211	Municipality of Osby
Member no. 212	Municipality of Vaggeryd
Member no. 213	Municipality of Timrå
Member no. 214	Municipality of Knivsta
Member no. 215	Municipality of Åtvidaberg
Member no. 216	Municipality of Uppvidinge
Member no. 217	Municipality of Svenljunga
Member no. 218	Municipality of Tingsryd
Member no. 219	Municipality of Jönköping
Member no. 220	Municipality of Lund
Member no. 221	Municipality of Ulricehamn
Member no. 222	Municipality of Tierp
Member no. 223	Municipality of Grästorp

### New municipalities to 25/2 2009

(not shown on the map on page 8)

Member no. 224	Municipality of Malung-Sälen
Member no. 225	Municipality of Östra Göinge
Member no. 226	Municipality of Årjäng
Member no. 227	Municipality of Dals-Ed
Member no. 228	Municipality of Vaxholm

## Goals and goal accomplishment

	Result			Goal
	2006	2007	2008	2010
Proportion of Sweden's municipalities as members	63%	72%	77%	80%
Proportion of Sweden's county councils as members	35%	35%	35%	50%
Proportion of members' total financing	46%	46%	58%	50%
<i>Rating</i>				
Standard & Poor's	AAA	AAA	AAA	AAA
Moody's Investors Service	Aaa	Aaa	Aaa	Aaa



"Mitos" by Blomqvist-Westman.  
Photograph: Sture Ekendal.

## COOPERATION RESULTS IN EFFECTIVE FINANCING

*Kommuninvest is founded on the idea of voluntary collaboration and with no vested interest in profit. Its goal-oriented and long-term approach has made Kommuninvest a well-known player in national and international capital markets, synonymous with the Swedish public sector with a high degree of stability and creditworthiness.*

Kommuninvest represents a unique form of cooperation between municipalities and county councils. Coordinating the borrowing volumes of individual municipalities and county councils opens up interest rate advantages for our members. Kommuninvest also provides a range of exclusive services to members that helps to develop and enhance members' financial operations; these include advisory services as well as tools developed by the company itself to support financial operations. Kommuninvest has an important part to play on the market for municipal financing as regards both access to credit and functional pricing.

### **Growth in membership a priority**

Since it was founded in 1986, Kommuninvest has demonstrated positive growth in membership numbers. This is an acknowledgement of the idea that voluntary cooperation for enhanced financial conditions has plenty of support.

Increasing the number of members is important to Kommuninvest. This growth increases our ability to offer members favourable terms, to develop skills and to reduce administration costs. Recommendations from existing members is an important source of membership growth, but Kommuninvest also actively promotes its organisation and concept.

### **Communication and dialogue**

Member communication and dialogue are given high priority, with the Annual General Meeting being one of the most important forums. Other significant and natural forums are the company and Society Board meetings, as well as the member consultations. Members are represented by 30 members and deputy members on the Society Board. Member consultation is implemented once

a year by the Kommuninvest management and the political management in the member municipalities. Some 150 elected representatives and officials from 100 or so members took part in the member consultation for 2008, which was held in 16 locations. Close contact between Kommuninvest's financial advisors and officials at municipalities and county councils complete the contact network.

### **Cooperation and networking**

Cooperation is at the heart of Kommuninvest. For many members, this cooperation and network for exchanging information on and experience of various financial issues is important. For instance, in 2008 we arranged a popular seminar on municipal pension commitments. As before, we were the primary sponsor for Kommek, the trade fair for municipal finance, as well as for Finansdagarna, the 'Finance Days', for the Swedish public sector.

The new Analysis and Finance Committee is a clear tool for member influence and an important forum to allow us to receive and disseminate information. The job of this committee, which falls under the jurisdiction of the Society Board, is – among other things – to prepare applications from municipalities and county councils wishing to become members, prepare and process financial issues pertaining to the municipal sector and to examine the financial status and development of existing members on a running basis. This committee's members are representatives of municipalities, municipal companies and county councils.

Kommuninvest is also part of several international networks. Together with Kommunekredit, Kommuninvest's Danish counterpart, Kommuninvest arranged in June the annual conference for ICLC, the International Centre for Local Credit. Malmö was the base for the Swedish arm of this conference. In 2008, Kommuninvest became a member of the EAPB, European Association of Public Banks.

### **Extended information efforts**

We place great emphasis on providing both elected representatives and officials at municipalities and county councils with frequent, high quality information. Our member magazine Dialog has four issues a year, and customers also receive

weekly newsletters containing the latest financial market information. In 2008, Kommuninvest's range of information was supplemented by Kommuninvest Perspektiv, in-depth financial market information aimed at customers, and Kommuninvest Information, for special information requirements aimed at members. Over the year, Kommuninvest has also significantly increased its visibility in the media, including both the daily newspapers and the specialist press.

#### **Active influence on municipal finance issues**

Kommuninvest shall participate in the general financial debate and shall as a member organisation

represent the Swedish municipal sector in public funding issues. For instance, we always take part in the local government days organised by the parliamentary parties. Kommuninvest not only monitors legislative proposals in Sweden, but also follows the establishment of norms and new legislation within the EU. The issues with which Kommuninvest worked in 2008 included the investigation and conditions for the public housing sector, the EU's state support rules and management of the municipal pension liability. Extensive work has also taken place with regard to guarantees and regress in relation to Kommuninvest's corporate governance.

The Kommuninvest member consultation is an important meeting place for discussing and securing current issues. Some 150 elected representatives and officials from 100 or so Kommuninvest members took part in the member consultation for 2008, which was held in 16 locations.



## KOMMUNINVEST IS AN ATTRACTIVE BORROWER

*Kommuninvest works actively on behalf of Swedish municipalities and county councils as a borrower on capital markets the world over. The organisation's role as a Swedish Local Government Debt Office and its focus on the public sector are a significant part of Kommuninvest's attraction.*

The Swedish municipal sector has very high creditworthiness – no Swedish municipality or county council has ever failed to comply with a contract entered into with a creditor. This high level of creditworthiness is attributable to a number of factors:

### **A municipality or county council cannot be declared bankrupt**

The special status in the Swedish constitution and the right of municipal taxation mean that municipalities and county councils cannot go bankrupt. Neither can they cease to exist in any other way. This entails an implicit government guarantee for their commitments. Moreover, it is forbidden to pledge municipal property as security for a loan, which means that municipalities and county councils are liable for all obligations they enter into, with all their tax power and their total assets.

### **The right to levy tax and set tax rates**

Municipalities and county councils in Sweden have a constitutional right to levy taxes for carrying out their remit. The tax base is based on the residents' income, and each municipality and county council sets its own tax rate. Income from taxation accounts for just over 70% of all funding. The constitutional right to levy taxes is an important aspect of local self-government, which states that there must be an autonomous right of decision-making for municipalities and county

councils. This level of autonomy in Swedish local government is uncommonly high by international standards.

### **Strong system for balancing municipal finances**

To ensure that all municipalities and county councils, irrespective of their tax base and structural conditions, have an equal foundation for providing their residents with services, Sweden has a system of balancing incomes and costs. Income equalisation evens out differences in the tax base of the municipalities or county councils, and is primarily state-funded. Cost equalisation evens out differences in structural costs and is neutral in terms of state finances. Municipalities and county councils with a favourable structure pay a charge, while those with an unfavourable structure are paid a cost equalisation grant.

### **Local government financing principle**

The local government financing principle is officially approved by the Swedish parliament (the Riksdag). It means that if the state should decide on measures that directly affect the activities of the municipal sector, the economic effects of that decision should be neutralised by altering the level of the state grant.

### **Strict financial requirements and regulations**

High demands are placed on the economies of the municipalities and county councils in Sweden. The balance requirement means that the budget normally has to be set up so that income exceeds expenses. If new expenses are introduced during the budget year, the decision must also contain details of how the expenditure is to be funded. If the result is a deficit, the council must, after looking into the balance demand, adopt an action plan for restoring a positive result within three years.



»Angle-bow«, by Kristin Rapp

## KOMMUNINVEST'S EXCEPTIONAL POSITION

### **Joint and several guarantees from the owners/members**

All members of Kommuninvest Cooperative Society provide an explicit guarantee, in the form of a joint and several guarantee, for the commitments entered into by the credit market company Kommuninvest i Sverige AB. This approach means that all members and their resources provide the ultimate guarantee for Kommuninvest's operations.

### **Implicit state guarantee**

Since municipalities and county councils cannot be declared bankrupt and cannot cease to exist, and the state holds overall responsibilities for the activities of the municipalities and county councils, there is an implicit state guarantee for all of Kommuninvest's obligations.

### **Zero risk weighting**

Loans to Swedish municipalities and county councils carry an extremely low risk, and prevailing capital coverage rules state that exposure to the municipal sector should be equated with state exposure and have a risk factor of 0%.

### **Swedish Local Government Debt Office**

Kommuninvest has the official task of being responsible for Swedish municipalities' and county councils' coordinated procurement of finance.

### **High quality of access**

Kommuninvest lends solely to its members and their majority-owned companies. Consequently Kommuninvest is only ever exposed to Swedish municipalities and county councils. As stated above, Swedish municipalities and county councils have very high creditworthiness.

### **Good liquidity**

In order to fulfil the need for lending even when financing on the capital markets may be limited for a certain period or unattractively priced, Kommuninvest maintains considerable liquid assets. These assets are intended to meet the liquidity requirement for around 12 months.

### **Qualified risk management**

Kommuninvest works actively and with qualified measures in accordance with set guidelines to minimise the risks arising for its operations. Risk management is described in more detail on page 26.

### **Monitoring borrowers**

We continuously monitor the economy of the municipal sector, particularly the member organisations we help fund. Twice a year we conduct a major review of each member and apply an individual ceiling for total borrowing, including liabilities, pension obligations and guarantees issued to parties other than Kommuninvest.

### **Highest possible rating**

Kommuninvest is one of only a small number of global borrowers to have the highest possible credit rating from rating institutions Moody's Investor Services and Standard & Poor's, both for short-term and long-term borrowing. In Sweden only the Kingdom of Sweden (the Swedish State) and Kommuninvest have highest possible credit rating from two independent institutions.



"Night and Day" by Gun Lindblad.  
Photographer: A. Gunnar Lundkvist

## TOTAL BORROWINGS OF SEK 350 BILLION IN THE MUNICIPAL SECTOR

*The municipal sector – 290 municipalities and 20 county councils – is responsible for 70% of public consumption charges and 20% of the GDP. Including the municipal companies, the sector is responsible for 25% of the total number of people employed in Sweden. Kommuninvest is the biggest lender in the sector.*

The total external borrowing of the municipalities and county councils, including their municipally owned corporations, amounts to approximately SEK 350 billion. This is equivalent to some 31% of the national public debt and 11% of the GDP.

### Kommuninvest: leading lender

Kommuninvest is the biggest lender in the sector, responsible for around 30% of the total finance requirement. The organisation's market position has been reinforced gradually, primarily due to the continuously increasing number of members, but also to the fact that Kommuninvest accounts for an increasing proportion of members' borrowing.

The market for municipal finance was affected when the traditional business banks tightened up on their lending just as refinancing options were made more difficult. This development has contributed to an increase in demand at Kommuninvest.

### Economic downturn reducing taxation base

The financial position of the municipal sector was adversely impacted by the ever deepening global downturn, which has also gained a foothold in Sweden since the second half of 2008. All macro-economic forecasts indicate a reduction in econom-

ic activity, with far-reaching effects. It is estimated that employment will fall in both 2009 and 2010.

The financial downturn is affecting municipalities' income, primarily as a result of the weakened labour market, where the taxation base is being reduced as a consequence of slackening employment and a reduction in the rate of salary increases. Forecasts for the taxation base in municipalities and county councils made up by Sweden's Municipalities and County Councils have been greatly adjusted downwards for the period 2009-2012. The financial situation is most severe among the county councils and for the municipalities affected by high levels of redundancies in local industries.

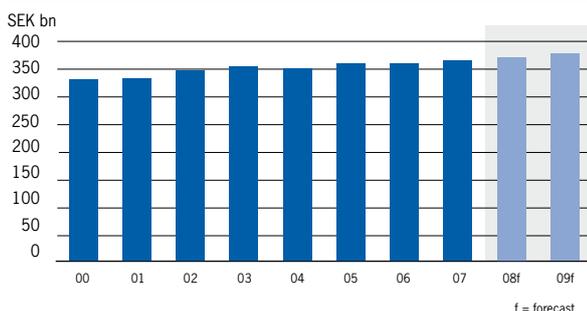
### Rate of investment may be affected

It is highly likely that the impaired economic situation will affect investment programmes at municipalities and county councils. This development can be assumed to vary across municipalities, county councils and municipal companies.

A number of municipalities will probably have good reason to carefully consider their investment programmes, which may give rise to planned investments being deferred or perhaps even abandoned entirely. Other municipalities may have both the financial opportunities and the willingness to act as equalisers of economic conditions. In both instances it is likely that infrastructure-related investments will be given priority.

The municipal housing companies have invested a relatively large amount in new production over a number of years, primarily in municipalities with good population growth. The rate of investment can be expected to fall. Businesses where the rate of investment can be expected to remain stable are in the energy sector.

Municipal sector borrowing



Source: Statistics Sweden, SALAR and Kommuninvest calculations

## THE MUNICIPAL SECTOR'S INTERNAL BANK

*Kommuninvest specialises in competitive loans, debt management and other service which helps ensure effective financial administration for our customers at municipalities and county councils. Our products and services are accessible only to members of Kommuninvest, the members' majority-owned companies and intermunicipal cooperative societies, if all of their members are also members of Kommuninvest.*

All lending by Kommuninvest is currently in Swedish kronor and the terms are generally up to 20 years. Lending takes place at fixed and variable interest rates, as well as via derivatives as additional products.

Our product portfolio consists of four main loan products:

- KI-interest. Variable interest (daily interest rate fixing) and capital immobilisation up to 10 years.
- 3-month STIBOR until further notice. Fixed interest rate 3 months, capital immobilisation 3 months.
- 3-month STIBOR. Fixed interest rate 3 months, capital immobilisation up to 20 years.
- Fixed interest rate. Fixed interest rate for optional period and capital immobilisation up to 20 years.

Of Kommuninvest's overall lending, municipalities and county councils represent 43.2%. The municipal housing companies' share of lending amounts to 40.9%, while energy companies and other municipally owned companies represent 15.9%.

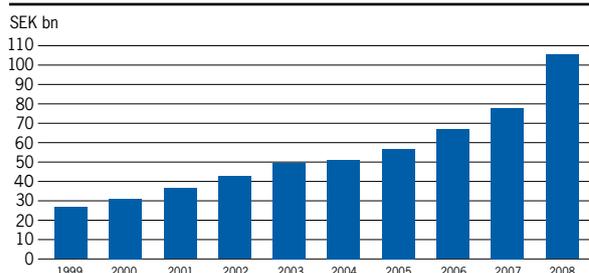
The biggest loan products are KI-interest, with 43.9% of lending, and Product P, with 44.0% of lending.

The total external loan liability among Kommuninvest members amounts to approximately SEK 182 billion, according to Kommuninvest's calculations. Kommuninvest therefore represents 58% of its members' total borrowing.

### Greater emphasis on advice

Kommuninvest's objective to assist with effective financial administration for our member municipalities demands more than just competitive loans. This is why customers are also offered financial advice and web-based analysis tools. We undertake everything from general financial advice which aims to develop effective strategies for interest rate selection, to compilation of the municipal group's credit portfolio.

Lending as of 31 December each year 1999–2008



Source: Kommuninvest

## OVERALL EXPOSURE TO THE SWEDISH MUNICIPAL SECTOR

*Kommuninvest's lending is financed by means of short and long borrowing programmes on national and international capital markets. Kommuninvest has a broad network of contacts with financial intermediaries and established investor relations the world over.*

Kommuninvest's borrowing strategy is based on diversified investment sources as regards borrowing markets, investor categories, borrowing currencies and borrowing products. We maintain a high level of flexibility so that we can constantly meet investors' needs for investment instruments. Kommuninvest is perceived as a stable, secure borrower, with exposure only to the Swedish municipal sector and the highest possible rating.

Most of Kommuninvest's borrowing takes place in the form of issued bonds (for terms of over 1 year) and certificates (for terms of less than 1 year). A smaller part of our borrowing takes place as direct loan financing. Kommuninvest handles a broad range of structured products; currency as well as shares and raw materials. We act over terms of between 1 day and 30 years, and fo-

cus mainly on non-exotic types of financial instrument with fixed or variable interest rates.

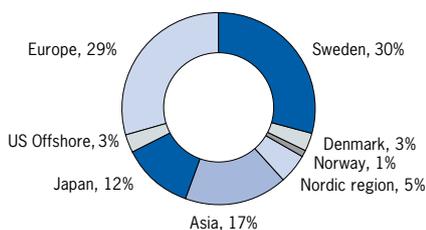
### International and domestic borrowing programmes

The Kommuninvest financing base is spread over several different geographical markets, the Swedish and Japanese markets being the biggest single markets. The strategy also includes increasing our presence on the capital markets in countries such as Canada, the USA, Australia and New Zealand.

Kommuninvest's biggest borrowing programmes include:

- Kommuninvest EMTN programme (Euro Medium Term Note), a medium-term bonds programme.
- Kommuninvest Euro-Commercial Paper Programmes.
- Kommuninvest Domestic Commercial Paper Programme.
- Japanese Shelf Registrations, as they are known, a medium-term bonds programme.
- German so-called *Schuldscheins- und Namensschuldsverschreibung*, medium-term bonds programmes.

Borrowing per market, 2008



Source: Kommuninvest

## A VALUE-BASED CORPORATE CULTURE

*Kommuninvest is an organisation focusing on quality and knowledge, demanding a lot in the way of expertise and performance. We work actively to create a corporate culture permeated by our core values of Quality, Clarity, Participation and a Holistic Approach. Our excellent staff commitment is an important part of our business management.*

Kommuninvest is a company firmly rooted in the Swedish municipal sector and active on capital markets the world over. The nature of our business is of a degree of complexity and specialisation which makes very stringent demands on expertise, both collective and individual.

### Core values in focus for business development and management

Over the last few years, Kommuninvest has carried out extensive evaluation work with a view to clarifying – both internally and externally – what Kommuninvest represents and what objectives the company should be aiming for. This process has included development of the specific core values which characterise Kommuninvest's evaluations. All employees at Kommuninvest have been involved in this process, which has resulted in – among other things – the development of 40 or so joint company core value promises, specific promises that can be implemented in day to day work and help to ensure that Kommuninvest attains its objectives. Further promises have been developed for the various company functions. Kommuninvest's core values and core value promises are now so well established that they naturally form a fundamental part of business planning and management.

### Employees who are expected – and want – to play a part

Kommuninvest's ambition is for its employees to feel – and help to ensure – that Kommuninvest is a quality and knowledge-oriented place to work where individuals are motivated, can develop and enjoy their work. Commitment and good staff efforts are an important element in Kommuninvest's formula for success: when Kommuninvest grows and develops, its employees are not only allowed to but must also grow and develop. It is also important to ensure that all specialist skills can interact effectively.

### Focus on competence development

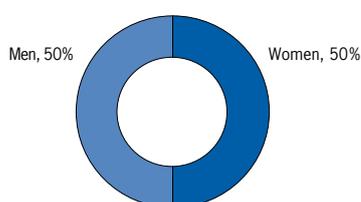
Each year, Kommuninvest invests significant resources in order to enhance its employees' knowledge and to support their professional and personal development. For instance, Kommuninvest demands that financial advisors are licensed by SwedSec (which is responsible for licensing employees on the Swedish securities market), despite the fact that this is not a formal requirement for lending to the public sector. Several employees have also been able to qualify for a one-year IFL programme, involving a 35-day course in financial economics, national economics and financial reporting.

### Personnel surveys

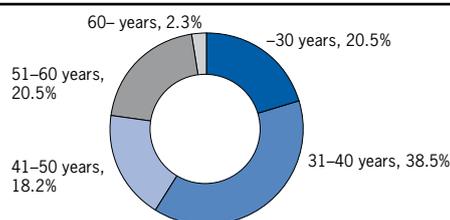
For the second year in a row, we have carried out an employee survey in which the queries were based on our core values: a holistic approach, participation, clarity and quality.

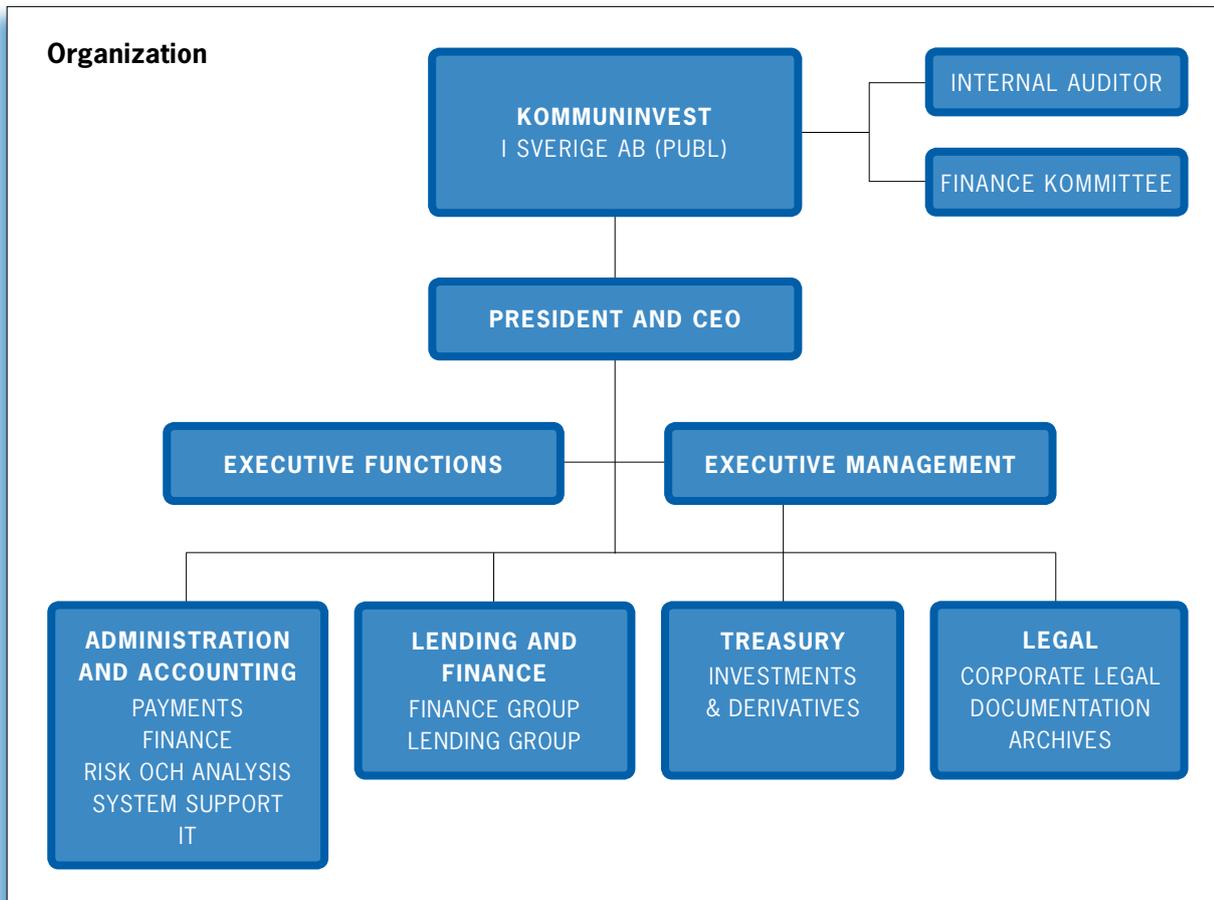
Job satisfaction has improved on the whole. The Employee Satisfaction Index is up from 53 to 60. The Ambassador Index is also up by 37 percentage points, which can largely be attributed to much greater security and welfare. There is also

Gender distribution, %



Age groups, total for men and women





a significantly positive difference with regard to trust in the management. Employees' awareness of the company's objectives and vision has also increased.

### Performance system

As a way of creating a powerful tool for business management, clarifying individuals' contributions to the overall result and also motivating the workforce, all personnel – excluding the President, the internal auditor, the controller, and one employed owner representative – are included in a variable performance system. This system is based

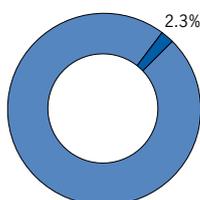
on Kommuninvest's own particular direction and business and focuses on adding value in all areas except lending operations. The lending business is not the object of the system.

### Personnel composition

At the end of 2008 Kommuninvest had 44 employees, of whom 22 were women and 22 were men. The majority have a degree-level education in economics and law. The average age was 40.5, ranging from 25 to 64.

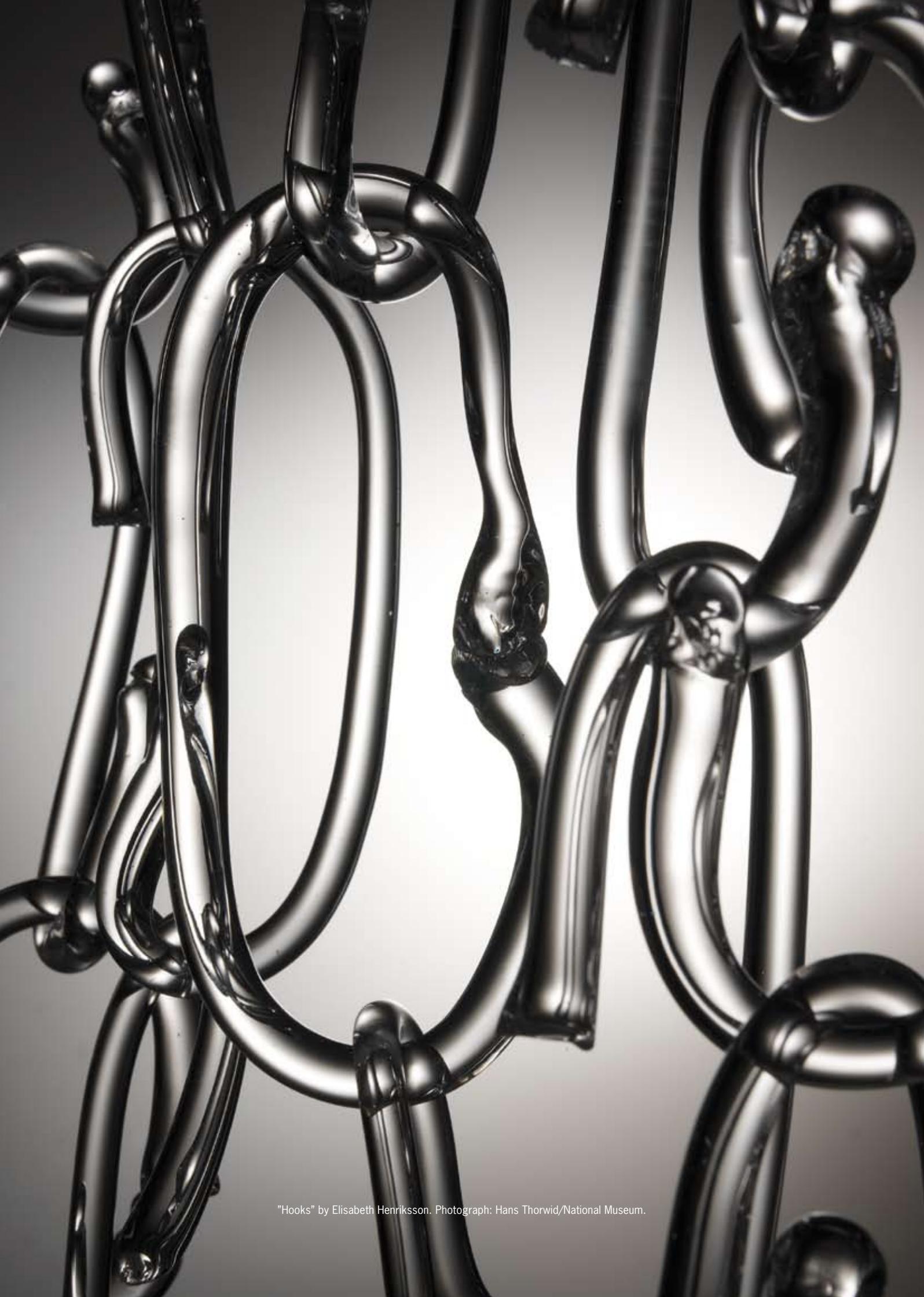
Sick leave for the year was 2.3%.

Sick leave, %



Average age

Average total:	40.5 years
Women, 22 people:	39.7 years
Men, 22 people:	41.3 years



"Hooks" by Elisabeth Henriksson. Photograph: Hans Thorwid/National Museum.

# ADMINISTRATION REPORT

## General information about the company

Kommuninvest i Sverige AB ("Kommuninvest") is a wholly owned subsidiary of Kommuninvest Cooperative Society, the members of which are Swedish municipalities and county councils.

The purpose of the company is to offer good long-term terms for its members' financial operations. It achieves this by providing access to competitive loans, debt management and other services that contribute to effective financial administration.

Kommuninvest's loans are offered only to members of Kommuninvest Cooperative Society and to its members' majority-owned companies.

The scope of the business is affected mainly by the number of members of the society and their financial needs, along with Kommuninvest's ability to offer good loan terms. In its turn, the latter assumes that Kommuninvest is able to obtain beneficial terms in its own financing on domestic and foreign capital markets.

Kommuninvest is also a special-interest organisation for the municipal sector in respect of issues relating to general conditions for financing of the sector.

Kommuninvest is a credit market company and is regulated by the Swedish Financial Supervisory Authority.

## Market

2008 was characterised by exceptional turbulence on the world's financial markets. Uncertainty surrounding stability in the financial systems and the solvency of financial institutions contributed towards a palpable reluctance to lend money between organisations. In turn, the financing situation in the banking system affected loan opportunities for households, companies and public organisations. In the current market situation, Kommuninvest represents a type of stable and secure borrower which is in strong demand. The company's role as a Swedish Local Government Debt Office and its high creditworthiness are contributory factors.

Over the year, the society received 13 new members; and Kommuninvest therefore had 223 (210) members, of which 216 (203) were municipalities and 7 (7) were county councils at the end of 2008.

## Results

The operating profit (profit before allocations, transfers and taxes) amounted to SEK 75.3 (30.7) million. Compared with last year, the operating profit was up by 145%, attributable to both increased lending volumes and improved margins. The profit after allocations, transfers and taxes amounted to SEK 44.5 (24.1) million.

Net interest income increased to SEK 152.1 (79.6) million. This improvement was attributable to a strong development over the second half of the year, with increased lending volumes and improved margins, which more than compensated for weaker net interest income over the first six months of the year.

The buy-back of issued securities and the sale of financial instruments has contributed SEK 41.3 (28.5) million to the figures, as recognised in 'Net profit/loss from financial transactions'.

Unrealised changes in market value reported in the income statement amounted to SEK -2.7 (7.8) million and are also entered under 'Net profit/loss from financial transactions'.

The net profit/loss from financial transactions also includes the estimated impact on profit, SEK -25.8 million, attributable to the replacement of derivative contracts following the bankruptcy of Lehman Holdings, Inc. and related companies ("Lehman Brothers").

Operational profit (profit excluding the effect of market value changes) amounted to SEK 78.0 (22.9) million.

Expenses amounted to SEK 87.4 (80.6) million. The increase in expenses is attributable primarily to the increase in personnel expenses.

## Credit losses

Credit losses totalled SEK 0 (0) million. Kommuninvest has never sustained a credit loss in its operation.

## Financial position

The balance sheet total increased to SEK 142.7 (109.9) billion as a consequence of greatly increased lending volumes.

## Lending

At the end of the year, lending amounted to SEK

104.7 (77.9) billion. In nominal terms (actually lent), lending was at SEK 103.0 (77.8) billion, an increase of 32% compared with the previous year. This increase in lending is attributable to a robust growth in lending over the second half of the year, driven by a strong demand from Kommuninvest's members. Significant lending volumes which were previously financed by banks were then transferred to Kommuninvest.

#### *Investments*

At the end of the year, Kommuninvest had SEK 21.9 billion (25.9) invested as liquidity reserves in anticipation of lending. These investments are made up mainly of interest-bearing securities with high creditworthiness, with ratings of at least A2 (Moody's) and A (Standard & Poor's). 57 (51)% of these investments were attributable to states/municipalities or financial institutions with government guarantees.

Kommuninvest has no direct exposure to the American sub-prime market, nor any positions in structured credit products such as ABSs (Asset Backed Securities) or CDOs (Collateralised Debt Obligations).

#### *Borrowing*

At the end of the year, borrowing amounted to SEK 131.5 (98.2) billion.

#### *Derivatives*

Derivatives with positive and negative market value amounted to SEK 16.1 (5.9) billion and SEK 10.7 (11.3) billion respectively.

#### *Equity*

At the end of 2008, equity amounted to SEK 460.6 (372.4) million. Besides the profit for the year, equity has been affected by changes in the market values of financial assets classified as available-for-sale, where unrealised changes in market value are entered directly against equity in the fund for fair value. The fund for fair value amounts to SEK 9.5 (-5.4) million.

#### *Share capital*

Due to the authorisation given to the Board of Di-

rectors by the Annual General Meeting, share capital has increased over the year by SEK 37.8 (45.8) million through the issue of new shares. The purpose is to strengthen the company's financial base by transferring participation capital from new members of the Society. Such transfers have been carried out regularly as membership has increased. Share capital amounts to SEK 236.7 (198.9) million, distributed over 2,367,000 (1,989,000) shares.

#### *Capital coverage*

The capital coverage quota amounts to 3.35 (1.81); see Note 23.

For a five-year summary, see pages 48–49.

#### **Rating**

Since April 2002, Kommuninvest has had the highest credit rating Aaa with Moody's, and it has held the highest credit rating AAA with Standard & Poor's since 2006.

#### **Incidents of significance taking place over or after the end of the financial year**

The financial turbulence in 2008 resulted in dramatic fluctuations in short-term market interest rates. At the same time, there was a strong demand among Kommuninvest customers for variable interest rates.

With a view to creating long-term competitive pricing of Kommuninvest's variable short-term interest products, the financing strategy over the first six months of the year was supplemented with a short borrowing programme aimed at the European capital market. A similar programme was launched for the Swedish market over the second six months of the year. Both programmes received a positive reception.

The bankruptcy of Lehman Brothers had palpable consequences for people's view of risk and access to liquidity in the financial systems over the last quarter of the year. Large credit volumes were steered towards Kommuninvest, which was able to act as a "lender of last resort" for its members. The financing requirements of all members could be met.

### **Risks and uncertainty factors**

In its business, Kommuninvest encounters a number of risks and uncertainty factors which may have an adverse impact on the company's profit, financial position, future prospects or opportunities to attain set targets.

The general development on the capital market, including interest rate development and the liquidity situation, along with the willingness to invest on various markets, may affect the competitive situation and how the competitive advantage of Kommuninvest develops. If Kommuninvest is unable to recruit and retain qualified employees, this may restrict Kommuninvest's competitiveness and opportunities for development. Access to qualified competence is also a risk as regards the location of the company.

### **Employees and the environment**

The number of employees rose by 6 over the year, amounting at the end of 2008 to 44. For principles and processes for remuneration and benefits to the management, see Note 7.

Kommuninvest does not conduct any operations requiring a licence under Sweden's Environmental Code. Kommuninvest has prepared an environmental policy which will be discussed by the Board of Directors in early 2009.

### **Prospects for 2009**

Interest in the Kommuninvest business concept is growing and the society will gain new members in 2009. This is expected also to contribute towards increased lending, as there is a historical correlation between member growth and lending growth. At the same time, factors such as the municipal sector's new investments may affect members' borrowing requirements. With the prevailing market situation, Kommuninvest is thought to have good chances of offering competitive loan products.

### **Change in accounting principles and the consequences of this for application of operating regulations**

The international financial reporting rules IAS 39 and IFRS 7 were amended in October 2008. These

amendments provide an opportunity to reclassify financial instruments.

Kommuninvest has opted to reclassify a number of investments from the financial assets available-for-sale category to the loans and receivables category. This reclassification has affected the fund for fair value by SEK 66.4 million; see Note 22. The reclassification has no effect on the capital base and a marginal effect on the exposure amounts that form the basis for the capital requirements.

### **Group contribution**

Kommuninvest pays a Group contribution of SEK 12.5 million to Kommuninvest Cooperative Society. This contribution enables the Society to carry out a participation issue to members for the eighth consecutive year. If the Annual General Meeting approves the Board's proposal, the issue will correspond to 3.5% of the participation capital. The Board of Kommuninvest i Sverige AB also intends to propose a new issue of shares to the Parent Society. The size of the new issue corresponds to the total of the proposed participation issue in the Society.

## RISK MANAGEMENT

*The fundamental principle for Kommuninvest's risk management is that the terms for borrowing and lending are equal from a risk perspective. The objective is to minimise or eliminate the risks occurring within the business.*

As part of the public sector, Kommuninvest is obliged to align itself with the prohibition of speculative and high-risk activities in accordance with Section 2 §7 of the Swedish Local Government Act.

### Risk organisation and responsibility

Kommuninvest's rules and processes have been formulated in order to ensure systematic and secure risk management. The Board of Directors bears overall responsibility for risk exposure and risk management and decides on the company's overall risk policy and instructions for the finance operation.

The Board decides on overall objectives for capital coverage and liquidity reserves as well as the orientation and limits for Kommuninvest's exposure to credit-related counterparty and market risks. The President of the company is responsible for following up business activities and ensuring they are conducted within the framework of the policies and instructions determined by the Board.

A separate corporate staff function with an independent position within the company monitors the ongoing operational control. This function bears overall and coordinating responsibility for the company's aggregate risks (risk monitoring) and reports to the President and Board. The Risk & Research section is responsible for controlling and conducting continuous monitoring and analysis of market, liquidity, credit and counterparty risks. It reports daily to the President and monthly to the Board.

The risks which Kommuninvest encounters in its operations and needs to deal with are:

- Credit and counterparty risk
- Liquidity risk
- Market risk
- Operational risks

### Credit and counterparty risk

The risk of losses due to customers or counterparties failing to meet their obligations within an agreed time.

Continuously analysing and monitoring the progress of Kommuninvest's counterparties is an important element of its activities to minimise risk. For lending activities, each municipality or county council is screened before being approved as a member of Kommuninvest Cooperative Society. Members' progress is subsequently analysed biannually based on a pre-determined model. As part of the research process, every year the Board sets credit limits for the members. The credit limits are universal and proceed on the basis of each member's consolidated borrowing. Individual members may increase their credit limit subject to scrutiny. Increased limits are usually motivated by assets with 'surplus value'.

Counterparties are evaluated according to their financial strength, and are compared with similar players. The research is intended to provide a complete picture of the counterparty's ability to fulfil its commitments if market conditions change. The Credit Group's activities also include proposing the removal or introduction of limits for approved counterparties and financial instruments. In addition to a monthly risk report, the credit group has to report at least once a year to the Board of Directors of Kommuninvest on the development of all counterparties.

Kommuninvest's total credit risk exposure is shown in Note 3. As at 31 December 2008, 76 (72) % of the credit risk exposure was to Swedish municipalities and county councils, 16 (23) % of the exposure was to states and other issuers of securities, plus 8 (5) % of the exposure was to derivative counterparties.

Credit and counterparty risk is divided into three categories:

- Risks from lending
- Risks when investing in assets not yet loaned
- Risks from value changes on derivative contracts

#### *Risks from lending*

The counterparties are the members of Kommun-

invest's owner association, Kommuninvest Cooperative Society, and their majority-owned companies, and lending takes place only to these. All members sign joint and several guarantees for Kommuninvest's commitments. The owner-members always issue a guarantee for majority-owned companies, thus ensuring that the member municipalities and county councils are behind all Kommuninvest's lending. From a capital coverage rules, the municipal sector has a risk-weighting of 0%.

#### *Risks when investing in assets not yet loaned*

The counterparties are financial institutions. These risks consist of losses and value changes on invested assets. The risks are limited by restricting investment exclusively to highly creditworthy counterparties. Highly creditworthy counterparties must have a minimum stable A level from one of the internationally recognised rating institutions. A significant proportion of the investments is placed with government guaranteed financial institutions, counterparties which usually have the highest credit ratings. The risks are also limited by the fact that the investments have a maximum term of 5.5 years. Board guidelines also stipulate that Kommuninvest should strive to diversify investments in securities between various types of counterparty, and counterparties in different geographical areas. Counterparties may only have a risk-weighting of 0 or 20%.

#### *Risks from value changes on derivative contracts*

The counterparties are financial institutions. Counterparty risks are restricted by entering into

contracts with counterparties with high creditworthiness and requirements for assets pledged. To limit the market risks that arise when contractual borrowing and lending terms do not match, risk management instruments are used in the form of derivative contracts.

To become an approved counterparty in a derivative transaction with Kommuninvest, the party must have a minimum credit rating of a stable A level from one of the internationally recognised credit rating institutions. The counterparty's credit rating is also a deciding factor in what we are prepared to accept when it comes to the contracts' maturity period, structure and permitted risk exposure.

#### *Greater emphasis on dealing with counterparty risks*

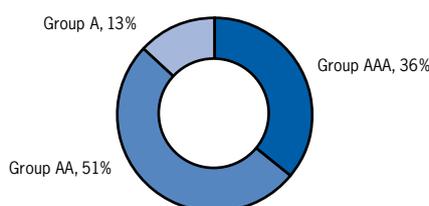
Counterparty risks gradually increased in 2008, to culminate in connection with the bankruptcy of Lehman Brothers. Over the year, many counterparties were allocated reduced credit ratings, with continued negative prospects. Counterparty exposures also increased due to the weakened Swedish krona and volatile share and raw material markets.

This development led to Kommuninvest no longer doing business with certain counterparties. New counterparties will not be approved for derivatives unless Kommuninvest and the counterparty agree on the terms for provision of security in the CSA-agreements (Credit Support Annex).

#### *Right to early redemption*

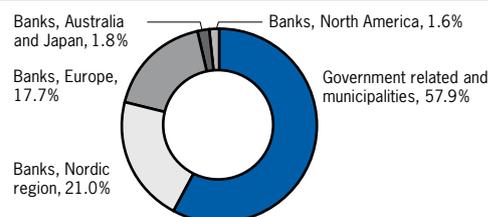
Kommuninvest is moreover a member of the International Swaps and Derivatives Association

**Invested equity by rating category, 31 December 2008**



Source: Kommuninvest

**Invested equity by issuer category, 31 December 2008**



Source: Kommuninvest

(ISDA), and before entering derivative contracts it stipulates the right to early redemption of such contracts if the counterparty's credit rating deteriorates below a pre-determined level. Board guidelines stipulate that Kommuninvest should strive to diversify derivative contracts between various types of counterparty, and counterparties in different geographical areas. This risk is that a loss may occur if the counterparty does not fulfil its commitments.

The risk exposure comprises the cost of entering an equivalent contract in the market. Such cost is calculated for each contract and is considered a risk on the contract counterparty. Delivery risk can also be said to be a type of credit and counterparty risk. This is the risk of a counterparty being unable to fulfil a securities or payment transaction. Accordingly, before embarking on a transaction Kommuninvest always ensures that the counterparty first fulfils its commitments, or else that an approach is utilised where both counterparties have to have fulfilled their commitments simultaneously.

#### *Securities obtained for derivatives*

To limit the risks and exposure arising because of value changes in derivatives, we enter credit support annexes (CSAs) with our derivatives counterparties. These give us the sole right, under certain conditions, to require extra collateral. The determinants of when and how much extra collateral is to be pledged are whether the value change in derivative contracts entered exceeds the pre-determined contracted exposure or if the counterparty's creditworthiness deteriorates. Such collateral comprises government securities, which have zero risk-weighting from a capital coverage perspective.

The aim of the CSAs is to cover receivables while simultaneously extending the scope for business with counterparties.

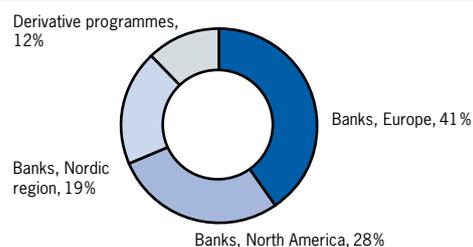
The scope of Kommuninvest's commitments in derivative contracts is shown in Note 3. In terms of nominal amounts, 63 (88) % of derivative contracts are with counterparties with minimum credit ratings of AA from one of the recognised ratings institutions. Kommuninvest has only entered into basic currency and interest derivatives on the remaining contracts, all of which have a short duration. On 31 December 2008 Kommuninvest had collateral from counterparties corresponding to SEK 4.819 billion. This collateral consists of securities issued by the following states: Germany, France, Denmark and Sweden.

#### **Liquidity risk**

The risk of far higher costs for borrowing required funds, or of loss when assets cannot be sold at a reasonable price.

Liquidity risk can most simply be expressed as a shortage of funding. In order to fulfil the need for lending even during periods when financing opportunities on the capital markets are limited or too costly, the Board of Directors has decided on a primary liquidity reserve of at least 4% and at most 6% of the balance sheet total. There are also investments in the form of surplus liquidity which should cover the lending requirement for the 12 months ahead. Kommuninvest's liquidity exposure with regard to remaining durations on assets and liabilities is shown in Note 3. The cash flow analysis also illustrates Kommuninvest's liquidity situation.

**Receivables on derivative contracts by counterparty group, 31 December 2008**



Source: Kommuninvest

## Market risk

The main market risks to which Kommuninvest is exposed are interest risk and foreign exchange risk.

### *Interest risk limited at portfolio level*

Interest risks arise through mismatches in fixed interest periods between invested assets and the related funding. Due to the scope of the operation, comprehensive matching between the company's assets (lending) and liabilities (financing) is not always possible for each individual position, instead interest risk is also limited at portfolio level. This can be done by matching two assets – one with daily fixed interest and the other with 6 months' fixed interest – with a debt that has 3 months' fixed interest. The risk (exposure) in the portfolio at any measurement point may never exceed SEK 10 million in a one (1) percentage point parallel shift in the yield curve. As at 31 December 2008 the risk in the entire portfolio was SEK 701,000 (3,208,000) at a one percentage point parallel shift.

### *Foreign exchange limits currency risk*

Foreign exchange risk arises when assets and liabilities denominated in a specific foreign currency in the balance sheet are mismatched in terms of size. Currency risk arises on an ongoing basis through the net interest income generated on returns on foreign currency investments. We limit this risk by continuously converting such returns into Swedish kronor.

## Operational risks

The risk of unexpected financial or confidence-

related losses as a result of internal causes such as computer fault, or external influence such as crime.

Our work on operational risk focuses on our internal environment, which is the area we can most directly influence. One such example is legal risk. This is the risk of loss due to the inability to carry through a contract on legal grounds, such as due to insufficient documentation.

Operational risks are reduced through:

- The duality principle – a single person may never manage a transaction alone through the entire process. There are usually three people from different departments involved in a business flow.
- The right skills and experience – each employee is well-prepared with the latest information and technology. The right skills ensure risks can be calculated and managed so that no unplanned risks arise. Establishing high personnel competence through continuous training is an important tool in this work.
- Respect for skill – the internal control requires that each employee feels and takes responsibility for the risks in their specific work area, and that each skill and skill area is respected.

# INCOME STATEMENT

1 January – 31 December

(SEK 000)	Note	2008	2007
Interest income		4,727,197	3,792,707
Interest expenses		-4,575,122	-3,713,097
<b>NET INTEREST INCOME</b>	4	<b>152,075</b>	<b>79,610</b>
Commission expenses	5	-3,633	-3,126
Net result of financial transactions	6	13,942	34,181
Other operating income		336	600
<b>TOTAL OPERATING INCOME</b>		<b>162,720</b>	<b>111,265</b>
General administration expenses	7	-80,582	-75,868
Depreciation on tangible fixed assets	16	-1,630	-1,602
Other operating expenses	8	-5,174	-3,093
<b>TOTAL EXPENSES</b>		<b>-87,386</b>	<b>-80,563</b>
<b>OPERATING PROFIT</b>		<b>75,334</b>	<b>30,702</b>
Appropriations	9	-11,636	544
Tax on profit for the year	10	-19,158	-7,120
<b>PROFIT FOR THE YEAR</b>		<b>44,540</b>	<b>24,126</b>

# BALANCE SHEET

On 31 December

(SEK 000)	Note	2008	2007
<b>ASSETS</b>			
Cash		3	5
State bonds eligible as collateral	11	1,879,588	5,598,771
Lending to credit institutions	3	2,439,973	2,513,814
Lending	12	104,658,088	77,937,698
Bonds and other interest-bearing securities	13	17,631,604	17,748,327
Shares and participations	14	323	146
Shares and participations in associated companies	15	504	504
Derivatives	3	16,094,288	5,863,772
Tangible assets	16	4,415	3,184
Other assets		25,925	249,051
Prepaid expenses and accrued income		3,744	2,284
<b>TOTAL ASSETS</b>		<b>142,738,455</b>	<b>109,917,556</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Liabilities to credit institutions	3	5,390,191	4,627,355
Securities issued	3	126,106,103	93,561,362
Derivatives	3	10,675,017	11,275,184
Other liabilities	17	40,421	32,223
Accrued expenses and prepaid income		13,499	8,294
Provisions	18	402	182
<b>Total liabilities and provisions</b>		<b>142,225,633</b>	<b>109,504,600</b>
<b>Untaxed reserves</b>	19	<b>52,169</b>	<b>40,533</b>
<b>Equity</b>		<b>460,653</b>	<b>372,423</b>
<b>Restricted equity</b>			
Share capital (2,367,000 shares, quoted value SEK 100)		236,700	198,900
Statutory reserve		17,473	17,473
<b>Non-restricted equity</b>			
Fund for fair value		9,461	-5,429
Profit or loss brought forward		152,479	137,353
Profit for the year		44,540	24,126
<b>Total equity</b>		<b>460,653</b>	<b>372,423</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>142,738,455</b>	<b>109,917,556</b>
<b>Memorandum items</b>			
Other pledged assets	20	323	146
Contingent liabilities		None	None
<b>Obligations</b>			
- pledged loans		1,752,688	3,107,975

# EQUITY

Account for changes relating to changes in equity.

2008	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve	Profit or loss brought forward	Profit/loss for the year	
<b>(SEK 000)</b>						
Equity brought forward 1 Jan 2008	198,900	17,473	-5,429	137,353	24,126	372,423
Appropriation of surplus	0	0	0	24,126	-24,126	0
Available-for-sale financial assets:						
<i>Remeasurements entered directly against equity</i>	0	0	22,941	0	0	22,941
<i>Recognised in income statement on divestment</i>	0	0	-3,764	0	0	-3,764
<i>Reclassification as loans and receivables</i>	0	0	-18,050	0	0	-18,050
Loans and receivables						
<i>Reclassification from financial assets which may be sold</i>	0	0	18,050	0	0	18,050
<i>Depreciation for the year</i>	0	0	-4,287	0	0	-4,287
Profit for the year	0	0	0	0	44,540	44,540
<b>Total wealth changes, excl. trans. with the company's owner</b>	<b>0</b>	<b>0</b>	<b>14,890</b>	<b>24,126</b>	<b>20,414</b>	<b>59,430</b>
New share issue	37,800	0	0	0	0	37,800
Group contribution	0	0	0	-12,500	0	-12,500
Tax items accounted directly against equity				3,500		3,500
<b>Equity carried forward 31 Dec 2008</b>	<b>236,700</b>	<b>17,473</b>	<b>9,461</b>	<b>152,479</b>	<b>44,540</b>	<b>460,653</b>

2007	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve	Profit or loss brought forward	Profit/loss for the year	
<b>(SEK 000)</b>						
Equity brought forward 1 Jan 2007	153,100	17,473	-17,071	127,715	17,882	299,099
Appropriation of surplus	0	0	0	17,882	-17,882	0
Available-for-sale financial assets:						
<i>Remeasurements entered directly against equity</i>	0	0	9,314	0	0	9,314
<i>Recognised in income statement on divestment</i>	0	0	2,328	0	0	2,328
Profit for the year	0	0	0	0	24,126	24,126
<b>Total wealth changes, excl. trans. with the company's owner</b>	<b>0</b>	<b>0</b>	<b>11,642</b>	<b>17,882</b>	<b>6,244</b>	<b>35,768</b>
New share issue	45,800	0	0	0	0	45,800
Group contribution	0	0	0	-11,450	0	-11,450
Tax attributable to items recognised directly against equity				3,206		3,206
<b>Equity carried forward 31 Dec 2007</b>	<b>198,900</b>	<b>17,473</b>	<b>-5,429</b>	<b>137,353</b>	<b>24,126</b>	<b>372,423</b>

# CASH FLOW STATEMENT

1 January – 31 December

(SEK 000)	2008-12-31	2007-12-31
<i>Liquid assets at the start of the accounting period</i>	<b>780</b>	<b>139,753</b>
<b>Operational activities</b>		
Operating profit	75,334	30,702
Adjustment for items not included in cash flow, Note 1	4,271	-3,956
Income tax paid	-3,938	-15,264
<b>Cash flow from operating activities before changes in the assets and liabilities of operating activities</b>	<b>75,667</b>	<b>11,482</b>
Change in interest-bearing securities	4,381,533	4,591,863
Change in lending	-25,373,971	-11,652,793
Change in other assets	212,292	-2,349,927
Change in other liabilities	10,050	7,459,011
<b>Cash flow from operational activities</b>	<b>-20,694,429</b>	<b>-1,940,364</b>
<b>Investing activities</b>		
Sale/disposal of tangible assets	–	163
Acquisition of tangible assets	-2,861	-1,593
<b>Cash flow from investment activities</b>	<b>-2,861</b>	<b>-1,430</b>
<b>Financing activities</b>		
Change in securities issued	20,392,484	787,052
Change in liabilities to credit institutions	618,508	978,213
New share issue	37,800	45,800
Group contribution paid	-11,450	-8,244
<b>Cash flow from financing activities</b>	<b>21,037,342</b>	<b>1,802,821</b>
<b>Cash flow for the year</b>	<b>340,052</b>	<b>-138,973</b>
<b>Cash and cash equivalents at the end of the year, Note 2</b>	<b>340,832</b>	<b>780</b>
<p>The Cash Flow Statement is produced using the cash accounting method and based on the operating profit for the period and changes in the Balance Sheet's opening balances. Operating profit has been adjusted for changes not included in operational activities. The cash flow statement has been divided into inward and outward payments from operational activities, investment activities and financing activities.</p>		
<b>Note 1. Adjustment for items not included in cash flow</b>		
Depreciation	1,630	1,602
Change in accrued cost	1,034	2,483
Exchange rate differences from change in financial assets	-1,063	-286
Unrealised market values	2,670	-7,755
<b>Total</b>	<b>4,271</b>	<b>-3,956</b>

**Note 2. This item in its entirety consists of cash and bank deposits.**

## NOTES

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

### 1 Information about Kommuninvest i Sverige AB

This Annual Report applies to the year ending 31 December 2008 and relates to Kommuninvest i Sverige AB (publ), registered number 556281-4409. Kommuninvest is located in Örebro. The address is: P.O. Box 124, SE-701 42 Örebro.

The annual report was approved for issue by the Board on 25 February 2009. The income statement and balance sheet will be adopted by the Annual General Meeting on 2 April 2009.

### 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 regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25).

Consequently all International Financial Reporting Standards and statements 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.

The accounting principles stated below were applied consistently in all periods presented in the financial statements, unless stated otherwise.

#### Amended accounting principles

IASB made changes during the autumn to IAS 39 and IFRS 7, which were also approved for application in the EU, which permit financial assets under certain conditions to be reclassified from assets available for sale if the asset is no longer held with the intention of buying it or buying it back in the near future. Furthermore, reclassification is also permitted nowadays from financial assets which may be sold if the asset met the definition "Loans and receivables", if it had not been classified as Financial assets which may be sold, if the company intends and has the ability to retain the financial asset for the foreseeable future or to maturity.

Over the year, Kommuninvest has opted to reclassify investments from the Financial assets which may be sold category. Kommuninvest has come to the conclusion that it has the ability and intention to hold the assets for the foreseeable future or to maturity. These investments meet the criteria for Loans and receivables, and so have been reclassified for this category. This reclassification took place on 10 November 2008. The fair values of the investments as at 10 November amounted to the accrued purchase value of these assets as at this date. The amounts reported where appropriate in funds for fair value relating to instruments reclassified from Financial assets which may be sold to Loans and receivables are distributed over the remaining term of the instruments.

#### Functional currency and presentation currency

The company's functional currency is the Swedish krona (SEK) and the financial statements are presented in the same

currency. All amounts, unless otherwise stated, are rounded off to the nearest thousand.

#### Future accounting principles. New and amended standards from IASB and statements from IFRC

Of the new standards and interpretations that came into effect after 2008 it is deemed that the following could affect Kommuninvest's annual report in the future.

#### *Revised IAS 1 Presentation of financial statements (approved by EU on 17 December 2008).*

The revised standard was published in September 2007 and shall apply for the financial year beginning 1 January 2009 or later. The standard divides changes in equity as a result of transactions between owners and other changes. The statement of changes in equity will only contain details relating to owner transactions. Changes in equity other than owner transactions will be shown on a line in the statement over changes in equity. The standard also introduces the concept of the "Statement of Total Recognised Gains and Losses for the period" which shows all posts relating to income and expenses, either in a single statement or in two continuous statements. Kommuninvest has not yet evaluated whether one or two statements will be used.

#### Associated companies

Participations in associated companies are reported in accordance with the cost method.

#### Transactions in foreign currencies

Kommuninvest's functional currency is the Swedish krona (SEK). Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in force on the balance sheet date. Exchange rate differences arising from the conversions are recognised in the income statement.

#### Interest income and interest expenses

Interest income 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.
- Interest from financial assets classified as financial assets, measured at fair value through profit or loss.
- Interest on derivatives.
- Interest on borrowing.

#### Commission expenses

These are expenses for services received such as deposit fees, payment agency commissions and securities brokerage.

#### Net result of financial transactions

The item 'Net result of financial transactions' encompasses the

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

- Unrealised changes in fair value on assets and liabilities recognised at fair value through profit or loss.
- Unrealised changes in fair value on hedged item with regard to hedged risk in hedging fair value.
- Capital gain/loss from divestment of financial assets and liabilities.
- Exchange rate changes.

#### **Fundamental measurement principles for preparing the company's financial statements**

Financial assets and liabilities are recognised at amortised cost, except for financial assets measured at fair value, see below.

#### **Financial instruments**

With regard to assets, financial instruments recognised in the balance sheet include lending, interest-bearing securities, derivatives and other financial assets. Financial instruments relating to liabilities and equity include issued securities, derivatives and other financial liabilities.

#### **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 excluded from the balance sheet once the contractual rights have been realised, have expired or the company loses control over them. The same applies for part of a 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 capitalise the asset and adjust the liability at the same time.

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.

#### *Classification and measurement*

On first recognition, a financial instrument is classified partly based on the reason for its purchase, but also on the options inherent in FFFS 2008:25. The classification determines how the financial instrument is measured after the first recognition as described below.

#### **Financial assets at fair value through profit or loss**

Financial instruments in this category are measured continuously at fair value with changes in value reported in the income statement.

This category comprises two sub-groups: financial assets available for sale, and other financial assets classified as such by Kommuninvest on first recognition.

The first sub-group comprises derivatives with a positive fair value held for financial hedging but not encompassed by hedge accounting, plus investments included in trade inventory.

The second sub-group comprises Kommuninvest's lending

plus investments which have an accompanying interest hedging derivative.

The reason Kommuninvest has classified lending plus investments which have an accompanying interest hedging derivative in this category is to rectify a misleading relationship in the accounts that would otherwise arise regarding measurement and recognition. To limit the market risks that arise when borrowing and lending/investment terms do not match, risk management instruments are used in the form of derivative contracts. It would result in a misleading relationship in the accounts if the derivatives were measured at fair value through profit or loss but not its associated lending/investment.

#### **Loans and receivables**

Loans and receivables are assets with determined or determinable payments. These assets are measured at amortised cost. These financial assets are recognised at the present value of the amounts estimated to be paid, i.e. with a deduction for doubtful receivables. This also includes the investments which Kommuninvest has reclassified from financial assets which may be sold, see Note 22.

#### **Financial assets available for sale**

Included in the category available-for-sale financial assets are financial assets not classified in any other category. For Kommuninvest this entails the company's investments in interest-bearing securities which are not included in the trade inventory or have an accompanying interest hedging derivative. Previously the interest-bearing securities that had been reclassified to loan receivables and receivables were reported in this category, see note 22.

Assets in this category are measured continuously at fair value with changes in value recognised under equity in the fund for fair value. Changes in value due to write-downs or exchange rate differences are recognised in the income statement.

Interest is also recognised in the income statement.

Measurement at fair value recognised in the fund for fair value is ongoing until the instrument matures or is divested. On divestment of the asset the accumulated gain or loss, which was previously recognised under equity, is recognised in the income statement.

#### **Financial liabilities at fair value through profit or loss**

Financial instruments in this category are measured continuously at fair value with changes in value reported in the income statement.

This includes derivatives with a negative fair value held for financial hedging but not encompassed by hedge accounting.

#### **Other financial liabilities**

Kommuninvest's borrowing and other financial liabilities, such as accounts payable, are included in this category. The liabilities are measured at amortised cost.

#### *Derivatives and hedge accounting*

As outlined above, Kommuninvest's borrowing is initially recognised at amortised cost. This is because the Annual Accounts Act does not permit measurement at fair value for liabilities if no part of the liability has been hedged against a financial instrument.

To obtain a true and fair picture of the operation, Kommun-

invest applies, where possible, hedge accounting of fair value for the liabilities which have been hedged with one or more financial instruments. As a hedging instrument Kommuninvest uses interest and exchange swaps. This means that the liability is measured at fair value through profit or loss with regard to the components which the instrument hedges. The liabilities and parts of liabilities which are not part of a hedging relationship are recognised at amortised cost.

Any inefficiency is recognised in the income statement. If a hedging relationship does not fulfil the efficiency requirements, the relationship is severed and the liability is recognised at amortised cost and the accumulated change in value of the liability is allocated over the remaining term. Kommuninvest's hedging relationships have been deemed highly efficient.

The derivatives which are part of a hedging relationship are recognised at fair value via the income statement.

#### **Credit losses and write-downs on financial instruments**

At each reporting date, Kommuninvest evaluates whether there is objective evidence that any write-down is necessary for a financial asset or group of assets as the result of one or more events (loss events) occurring after first recognition of the asset, and of these loss events having an impact on the estimated future cash flows relating to the asset or group of assets. Objective evidence constitutes 1) observable conditions that have arisen and that have an adverse impact on the possibility of recovering the acquisition cost, and 2) significant or lengthy reduction of the fair value of an investment in a financial investment classed as an available-for-sale financial asset. Kommuninvest deemed that no write-downs were necessary on 31 December 2008.

#### **Tangible assets**

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

Tangible fixed assets are carried at cost less accumulated depreciation.

The recognised amount for a tangible fixed asset is removed from the balance sheet on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's recognised amount less direct sales costs. Gain and loss are recognised as other operating income/expense.

Depreciation is carried out on a linear basis over the asset's estimated useful life.

#### *Estimated useful lives:*

– equipment            5 years

#### **Employee benefits**

Remuneration after termination of employment:

##### *Pension through insurance*

Kommuninvest's pension plans for service pensions under collective agreements are safeguarded through an insurance agreement with SPP. According to IAS 19, a defined contribution pension plan is a plan for remuneration after termination of employment whereby the company pays pre-determined fees to a separate legal entity, and has no legal or informal obligation to make further payments if the legal entity has insufficient assets to pay all employee benefits relating to service during the current and earlier periods.

Kommuninvest's obligations which are defined contribution are entered as a cost 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 SPP based on the current salary.

In addition to collectively agreed service pensions, Kommuninvest has also made a pension commitment to the President in a separate agreement. The pension commitment is invested in an endowment insurance which is recognised in shares and participations. The insurance is also pledged for the pension commitment. With regard to liabilities, the pension commitment is recognised as a provision.

The year's costs for these insurance premiums are shown in Note 7.

#### **General administration expenses**

General administration expenses encompass personnel costs, including salaries and emoluments, pension expenses, employer's contributions and other social security contributions. They also include costs for premises, training, IT, telecommunications, travel and entertainment.

#### **Appropriations**

Appropriations comprise provisions for and dissolution of untaxed reserves.

#### **Taxes**

Tax on profit for the year includes current tax and tax relating to previous years.

### 3 Financial risks

#### Credit risk exposure

	Total credit risk exposure (before write-down)	Write-down/ Provision	Recognised value	Value of securities relating to items in the balance sheet	Total credit risk exposure after deduction for securities
<b>Credit against security of:</b>					
Government and municipal guarantees	104,658,088	0	104,658,088	0	104,658,088
<b>Total</b>	<b>104,658,088</b>	<b>0</b>	<b>104,658,088</b>	<b>0</b>	<b>104,658,088</b>
<b>Securities</b>					
Public bodies					
- AAA	0	0	0	0	0
- AA	1,879,588	0	1,879,588	0	1,879,588
- A	0	0	0	0	0
Other issuers					
- AAA	7,637,556	0	7,637,556	0	7,637,556
- AA	9,589,482	0	9,589,482	0	9,589,482
- A	2,844,539	0	2,844,539	0	2,844,539
<b>Total</b>	<b>21,951,165</b>	<b>0</b>	<b>21,951,165</b>	<b>0</b>	<b>21,951,165</b>
Derivatives					
- AAA	7,789,724	0	7,789,724	0	7,789,724
- AA	6,556,965	0	6,556,965	2,261,798	4,295,167
- A	1,747,599	0	1,747,599	2,557,572	0
<b>Total</b>	<b>16,094,288</b>	<b>0</b>	<b>16,094,288</b>	<b>4,819,370</b>	<b>12,084,891</b>
<b>Obligations</b>					
Pledged loans	1,752,688	0	1,752,688	0	1,752,688
<b>Total</b>					
<b>Total credit risk exposure</b>	<b>144,456,229</b>	<b>0</b>	<b>144,456,229</b>	<b>4,819,370</b>	<b>140,446,832</b>

**Maturity information**

Nominal cash flows – Contractual remaining duration

Liquidity exposure	On demand	Max. 3 mths	More than 3 mths but max. 1 yr	More than 1 yr but max. 5 yrs	More than 5 yrs	No duration	Total recognised
Contractual remaining duration							
<b>Assets</b>							
Cash	3						3
State bonds eligible as collateral				1,838,150			1,838,150
Lending to credit institutions	2,437,652						2,437,652
Lending		28,830,768	10,242,108	48,196,176	15,740,165		103,009,217
Bonds and other interest-bearing securities		2,396,394	3,098,241	12,179,551			17,674,187
Derivatives		27,953,320	55,695,262	128,493,750	32,443,787		244,586,118
Other assets						34,911	34,911
<b>Total assets</b>	<b>2,437,655</b>	<b>59,180,482</b>	<b>69,035,611</b>	<b>190,707,627</b>	<b>48,183,952</b>	<b>34,911</b>	<b>369,580,238</b>
<b>Liabilities</b>							
Liabilities to credit institutions		608,668		1,385,967	3,220,480		5,215,115
Derivatives		27,353,624	55,339,243	125,468,831	29,188,992		237,350,689
Securities issued		29,770,586	22,288,608	55,830,109	18,557,986		126,447,289
Other liabilities						54,322	54,322
Equity						512,822	512,822
<b>Total equity and liabilities</b>	<b>0</b>	<b>57,732,878</b>	<b>77,627,851</b>	<b>182,684,907</b>	<b>50,967,458</b>	<b>567,144</b>	<b>369,580,238</b>
Unentered pledged loans	1,752,688						
<b>Total difference</b>	<b>2,437,655</b>	<b>1,447,604</b>	<b>-8,592,240</b>	<b>8,022,721</b>	<b>-2,783,507</b>	<b>-532,233</b>	<b>0</b>

Recognised values – Contractual remaining duration

Liquidity exposure	On demand	Max. 3 mths	More than 3 mths but max. 1 yr	More than 1 yr but max. 5 yrs	More than 5 yrs	No duration	Total recog- nised value
Contractual remaining duration							
<b>Assets</b>							
Cash	3						3
State bonds eligible as collateral				1,879,588			1,879,588
Lending to credit institutions	2,439,973						2,439,973
Lending		13,511,431	10,618,872	54,504,699	26,023,086		104,658,088
Bonds and other interest-bearing securities		2,402,163	2,787,962	12,441,479			17,631,604
Derivatives		942,571	2,010,570	8,977,915	4,163,232		16,094,288
Other assets						34,911	34,911
<b>Total</b>	<b>2,439,976</b>	<b>16,856,165</b>	<b>15,417,404</b>	<b>77,803,682</b>	<b>30,186,318</b>	<b>34,911</b>	<b>142,738,455</b>
<b>Liabilities</b>							
Liabilities to credit institutions		615,767		1,402,814	3,371,610		5,390,191
Derivatives		647,949	1,790,119	5,070,074	3,166,875		10,675,017
Securities issued		29,704,588	22,006,580	58,224,706	16,170,228		126,106,103
Other liabilities						54,322	54,322
Equity						512,822	512,822
<b>Total equity and liabilities</b>	<b>0</b>	<b>30,968,304</b>	<b>23,796,699</b>	<b>64,697,594</b>	<b>22,708,714</b>	<b>567,144</b>	<b>142,738,455</b>
Unentered pledged loans	1,752,688						
<b>Total difference</b>	<b>2,439,976</b>	<b>-14,112,140</b>	<b>-8,379,295</b>	<b>13,106,088</b>	<b>7,477,604</b>	<b>-532,233</b>	<b>0</b>

**Fixed interest terms, Interest exposure**

Nominal cash flows

<b>Fixed interest terms, for assets and liabilities – Interest exposure</b>	<b>Max. 3 mths</b>	<b>More than 3 mths but max. 1 yr</b>	<b>More than 1 yr but max. 5 yrs</b>	<b>More than 5 yrs but max. 10 yrs</b>	<b>More than 10 yrs</b>	<b>No interest</b>	<b>Total</b>
<b>Assets</b>							
Cash	3						3
State bonds eligible as collateral	700,000		1,138,150				1,838,150
Lending to credit institutions	2,437,652						2,437,652
Lending	62,846,737	7,211,815	27,475,467	5,243,746	231,452		103,009,217
Bonds and other interest-bearing securities	11,881,066	1,343,833	4,449,288				17,674,187
Derivatives	139,602,409	39,299,499	55,302,145	8,041,486	2,340,580		244,586,118
Other assets						34,911	34,911
<b>Total</b>	<b>217,467,866</b>	<b>47,855,147</b>	<b>88,365,049</b>	<b>13,285,232</b>	<b>2,572,032</b>	<b>34,911</b>	<b>369,580,238</b>
<b>Liabilities</b>							
Liabilities to credit institutions	1,848,171	310,820	601,992	1,977,975	476,157		5,215,115
Securities issued	35,645,195	28,413,636	54,460,524	6,063,512	1,864,423		126,447,289
Derivatives	176,542,613	21,842,312	33,490,762	5,243,551	231,452		237,350,689
Other liabilities						54,322	54,322
Equity						512,822	512,822
<b>Total equity and liabilities</b>	<b>214,035,979</b>	<b>50,566,768</b>	<b>88,553,278</b>	<b>13,285,037</b>	<b>2,572,032</b>	<b>567,144</b>	<b>369,580,238</b>
<b>Cumulative exposure</b>	<b>3,431,888</b>	<b>-2,711,621</b>	<b>-188,229</b>	<b>195</b>	<b>0</b>	<b>-532,233</b>	<b>0</b>

**Foreign exchange risk**

Recognised values

<b>Assets and liabilities in major foreign currencies (nom. amount)</b>	<b>SEK</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>DKK</b>	<b>Other currencies</b>	<b>Fair value adjustment</b>	<b>Total</b>
<b>Assets</b>								
Lending to credit institutions	274,925	609,515	1,566,344	-2	1,062	-47	-11,821	2,439,976
Lending	103,838,681						819,407	104,658,088
Interest-bearing securities	3,868,063	9,041,995	6,827,202				-226,069	19,511,192
Shares and participations	827						0	827
Derivatives							16,094,288	16,094,288
Other assets	26,171	7,370	68		5	470	0	34,084
<b>Total assets</b>	<b>108,008,667</b>	<b>9,658,880</b>	<b>8,393,614</b>	<b>-2</b>	<b>1,067</b>	<b>423</b>	<b>16,675,805</b>	<b>142,738,455</b>
<b>Liabilities</b>								
Liabilities to credit institutions	482,025	1,702,285	192,842	2,837,963			175,076	5,390,191
Securities issued	36,315,401	9,231,016	36,023,196	8,363,927	10,075,090	20,336,865	5,760,609	126,106,103
Derivatives	70,719,128	-1,276,118	-27,828,440	-11,202,578	-10,075,127	-20,336,865	10,675,017	10,675,017
Other liabilities inc. equity	489,636	11,519	59	687	101	39	65,103	567,144
<b>Total equity and liabilities</b>	<b>108,006,190</b>	<b>9,668,701</b>	<b>8,387,657</b>	<b>0</b>	<b>64</b>	<b>39</b>	<b>16,675,805</b>	<b>142,738,455</b>
<b>Difference, assets and liabilities</b>	<b>2,477</b>	<b>-9,821</b>	<b>5,958</b>	<b>-2</b>	<b>1,003</b>	<b>384</b>	<b>0</b>	<b>0</b>

Effect (pre-tax) of a 10% increase in the SEK exchange rate compared to the foreign currency

	-982	596	0	100	38
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## 4 Net interest income

Interest income	2008	2007
Lending to credit institutions	14,582	8,730
Lending	3,329,731	2,785,573
Interest-bearing securities	1,382,371	998,063
Other	513	341
<b>Total</b>	<b>4,727,197</b>	<b>3,792,707</b>
Of which: interest income from financial items not measured at fair value through profit or loss	15,095	9,071
<b>Interest expenses</b>		
Liabilities to credit institutions	4,824	2,306
Interest-bearing securities	4,569,794	3,710,020
Other	504	771
<b>Total</b>	<b>4,575,122</b>	<b>3,713,097</b>
Of which: interest income from financial items not measured at fair value through profit or loss	5,328	5,561
<b>Total net interest income</b>	<b>152,075</b>	<b>79,610</b>

## 5 Commission expenses

	2008	2007
Payment agency commissions	313	311
Brokerage for securities	3,256	2,802
Other commissions	64	13
<b>Total</b>	<b>3,633</b>	<b>3,126</b>

## 6 Net result of financial transactions

	2008	2007
Result from buy-back of own bonds	26,390	28,469
Interest-bearing securities	3,764	-2,328
Other financial instruments	-14,605	
Unrealised changes in market value	-2,670	7,755
Exchange rate changes	1,063	285
<b>Total</b>	<b>13,942</b>	<b>34,181</b>

### Net gain/loss by measurement category

	2008	2008	2007	2007
	Through profit or loss	Through equity	Through profit or loss	Through equity
Financial assets at fair value through profit or loss	1,473,485	0	-431,737	0
Trading assets	-755,058	0	523,131	0
Available-for-sale financial assets	3,764	1,127	-2,328	11,642
Loans and receivables	0	13,763	0	0
Financial liabilities at fair value through profit or loss	112,380	0	-499,114	0
Financial liabilities at amortised cost	27,453	0	28,754	0
Change in fair value of derivatives that are hedging instruments in a fair value hedge	4,003,595	0	341,692	0
Change in fair value on hedged item with regard to hedged risk in fair value hedges	-4,851,677	0	73,783	0
<b>Total</b>	<b>13,942</b>	<b>14,890</b>	<b>34,181</b>	<b>11,642</b>

## 7 General administration expenses

Personnel costs	2008	2007
- salaries and emoluments	23,675	21,505
- variable performance benefit	2,420	-
- social security charges	9,180	7,771
- pension expenses	3,232	3,395
- education/training costs	1,434	1,572
- other personnel costs	4,327	2,234
<b>Total personnel costs</b>	<b>44,268</b>	<b>36,477</b>
<b>Other general administration expenses</b>	<b>2008</b>	<b>2007</b>
- travel expenses	2,570	4,364
- IT expenses	5,092	5,302
- consultancy fees	8,692	9,405
- temporary/contract personnel	2,701	2,484
- rating expenses	3,766	3,416
- Reuters	2,640	2,377
- rents and other expenses for premises	1,830	1,749
- annual report and interim report	1,644	3,356
- other	7,379	6,938
<b>Total other general administration expenses</b>	<b>36,314</b>	<b>39,391</b>
<b>Total</b>	<b>80,582</b>	<b>75,868</b>

### Remuneration to the Board of Directors

During the year, the Board of Directors comprised 8 members (8), of which 4 (3) were women. Remuneration to the Board, within the framework of the Board fees approved by the Annual General Meeting, is shown in the table below. The Chairman of the Board received a fixed fee of SEK 400,000. The Vice Chairman received a fixed fee of SEK 70,000 and a variable fee of SEK 8,000 per meeting. Other Board members received a fixed fee of SEK 30,000 and a variable fee of SEK 8,000 per meeting. Kommuninvest does not have any pension obligations or any particular conditions of notice for the Board of Directors.

	2008	2007
Tommy Persson	400	-
Ellen Bramness Arvidsson	158	152
Lorentz Andersson	134	113
Alf Egnersfors	134	106
Kerstin Ryding	136	106
Anna von Knorring	134	94
Ingemar Alserud	78	-
Ann-Charlotte Stenkil	102	-
<b>Total</b>	<b>1,276</b>	<b>571</b>

### Remuneration to senior executives

Remuneration for the President has been decided by the Board. Remuneration to the President comprises a fixed salary and other benefits. The President has received SEK 2,410,000 (2,350,000). Pension expenses for the President amounted to SEK 580,000 (553,000) and are covered by insurance. Part of the insurance cost relates to endowment insurance for pension obligations. The obligation contains compliance protection. The pension is vested, i.e. not conditional on future employment.

There are no agreements regarding severance pay. For termination initiated by the company, the President will continue to receive a salary for the duration of the 24-month notice period. If a new position is found, the salary paid will be reduced accordingly.

Remuneration to the Vice President consists of a fixed salary and variable remuneration. The Vice President has received SEK 1,239,000, of which variable remuneration amounted to SEK 144,000. Pension expenses for the Vice President amounted to SEK 245,000. Severance pay of 18 monthly salaries will be reduced by an amount corresponding to new income if a new position is obtained.

Remuneration to other senior executives in the corporate management, 2 (4) people in total of whom 1 (3) woman and 1 (1) man, comprises basic salary, variable remuneration and other benefits. The total amount of the remuneration for these people amounted to SEK 1,048,000 (3,390,000), of which variable remuneration amounted to SEK 146,000. The pension obligations are covered by insurance contracts.

	2008	2007
Average number of employees during the year	41	37
– of which women	22	19

### Sick leave

Total sick leave for all employees was 2.30% (1.27%) of standard working hours. Total sick leave for women was 3.45% (1.78%) and for men 0.99% (0.73%). The proportion of total sick leave of 60 days or more was 9.32% (0.00%).

<i>Sick absence by age category:</i>	2008	2007
Up to age 29	*	*
30-49 years	2.46	0.90
Age 50 and above	1.56	2.66

\* Not reported due to a special provision in Swedish legislation which stipulates that data must not be issued if the number of employees in the group is 10 or less, or if the data can be attributed to an individual. Group refers both to the age category and the gender distribution within the age category.

Emoluments and costs for the auditors	2008	2007
<i>Ernst &amp; Young AB</i>		
Audit assignments	801	1,248
Other assignments	772	186
<i>Öhrings PricewaterhouseCoopers AB</i>		
Audit assignments	–	69

Audit assignments refer to the audit of the annual report and bookkeeping records as well as a review of the administration by the President and Board of Directors, 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. All other work comes under other assignments.

## 8 Other operating expenses

	2008	2007
Insurance expenses	362	511
Communication and information	4,742	2,471
Other operating expenses	70	111
<b>Total</b>	<b>5,174</b>	<b>3,093</b>

## 9 Appropriations

	2008	2007
Transfer to tax allocation reserve	-18,640	-4,687
Cancellation of tax allocation reserve	7,004	5,231
<b>Total</b>	<b>-11,636</b>	<b>544</b>

## 10 Taxes

### Recognised in income statement

	2008	2007
Tax expense for the period	19,158	7,120
<b>Total tax expense recognised</b>	<b>19,158</b>	<b>7,120</b>

### Reconciliation of effective tax

	2008	2007	2008	2007
	%	%		
Profit/loss before tax			63,698	31,246
Tax according to prevailing tax rate	28.0%	28.0%	17,835	8,749
Non-deductible expenses	2.2%	1.8%	1,379	566
Non-taxable income	-0.1%	-6.9%	-57	-2,171
Tax attributable to previous years	0.0%	-0.1%	0	-23
<b>Recognised effective tax</b>	<b>30.1%</b>	<b>22.8%</b>	<b>19,158</b>	<b>7,120</b>

### Tax items entered directly against equity

	2008	2007
Current tax in Group contributions received/paid	3,500	3,206
	<b>3,500</b>	<b>3,206</b>

## 11 State bonds eligible as collateral

	Purchase value	2008 Fair value	Recognised value	Purchase value	2007 Fair value	Recognised value
<b>State bonds eligible as collateral, etc.</b>						
- Swedish state	0	0	0	3,403,164	3,402,843	3,402,843
- Swedish municipalities	1,834,106	1,871,150	1,879,588	2,188,559	2,195,928	2,195,928
<b>Total</b>	<b>1,834,106</b>	<b>1,871,150</b>	<b>1,879,588</b>	<b>5,591,723</b>	<b>5,598,771</b>	<b>5,598,771</b>
Positive difference of recognised values exceeding nominal values			44,941			2,942
Negative difference of recognised values falling below nominal values			-3,502			-33,371

The reason why recognised value differs from fair value is that the post includes assets that have been reclassified to loans or receivables, see note 22. These have been recognised at amortised cost.

## 12 Lending

Lending refers to lending to municipalities and county councils, as well as to companies owned by municipalities and county councils. Approximately 44% (48%) of total lending is direct to municipalities and county councils that are members of Kommuninvest. The remainder is to their corporations, which have municipal guarantees, and are mainly municipal housing corporations 42% (41%) and other companies with municipal guarantees 14% (11%).

## 13 Bonds and other interest-bearing securities

	Purchase value	2008 Fair value	Recognised value	Purchase value	2007 Fair value	Recognised value
<b>Bonds and other interest-bearing securities</b>						
- Swedish housing finance institutions	1,296,259	1,297,269	1,297,269	1,899,395	1,901,126	1,901,126
- other Swedish issuers	2,050,876	2,064,643	2,068,472	2,443,066	2,454,150	2,454,150
- other foreign issuers	13,971,732	14,211,711	14,265,863	13,354,724	13,393,051	13,393,051
<b>Total</b>	<b>17,318,867</b>	<b>17,573,623</b>	<b>17,631,604</b>	<b>17,697,185</b>	<b>17,748,327</b>	<b>17,748,327</b>
Positive difference of book values exceeding nominal values			304,791			56,496
Negative difference of book values falling below nominal values			-14,778			-118,725

The reason why recognised value differs from fair value is that the post includes assets that have been reclassified to loans or receivables, see note 22. These have been recognised at amortised cost.

## 14 Shares and participations

	2008	2007
Endowment insurance	323	146
<b>Total shares and participations</b>	<b>323</b>	<b>146</b>

## 15 Shares in associated companies

Administrative Solutions NLGFA AB, holding 50%  
Reg. no: 556581-0669

## 16 Tangible assets, equipment

	2008	2007
Acquisition value brought forward	6,429	6,622
Investments for the year	2,861	1,593
Sales/disposals during the year	0	-1,786
<b>Acquisition value carried forward</b>	<b>9,290</b>	<b>6,429</b>
Depreciation brought forward	-3,245	-3,266
Depreciation for the year	-1,630	-1,602
Adjustment for depreciation on equipment sold/disposed of	0	1,623
<b>Depreciation carried forward</b>	<b>-4,875</b>	<b>-3,245</b>
<b>Planned residual value at the end of the accounting period</b>	<b>4,415</b>	<b>3,184</b>

## 17 Other liabilities

	2008	2007
Liabilities to parent society	12,500	11,450
Other liabilities	27,921	20,773
<b>Total</b>	<b>40,421</b>	<b>32,223</b>

## 21 Associates

### Close associations

Kommuninvest has close associations with Kommuninvest Cooperative Society (parent company), Kommuninvest Fastighets AB (sister company) and Administrative Solutions NLGFA AB (associated company).

Close association	Year	Sale of goods/services to associates	Purchase of goods/services from associates	Other (e.g. interest, dividend)	Receivables from associates as at 31 December	Liabilities to associates as at 31 December
Kommuninvest Cooperative Society	2008	202	0	0	192	12,500
	2007	242	0	0	242	11,450
Kommuninvest Fastighets AB	2008	55	1,576	0	0	397
	2007	0	1,518	0	55	380
Administrative Solutions NLGFA AB	2008	0	3,928	0	0	470
	2007	0	4,291	0	901	0

Transactions with associated parties are priced in accordance with market conditions.

### Transactions with key people in senior posts

With regard to salaries, other remuneration and pensions for key people in management positions, please see Note 7.

## 18 Provision for pensions and similar obligations

	2008-12-31	2007-12-31
Provision for personnel commitments	402	182
<b>Total</b>	<b>402</b>	<b>182</b>

## 19 Untaxed reserves

	2008	2007
<b>Tax allocation reserves</b>		
2003 tax assessment	-	7,004
2004 tax assessment	3,214	3,214
2005 tax assessment	4,906	4,906
2006 tax assessment	13,770	13,770
2007 tax assessment	6,952	6,952
2008 tax assessment	4,687	4,687
2009 tax assessment	18,640	-
<b>Total untaxed reserves</b>	<b>52,169</b>	<b>40,533</b>

## 20 Assets pledged

	2008	2007
Endowment insurance	323	146
<b>Total</b>	<b>323</b>	<b>146</b>

## 22 Financial assets and liabilities

	Financial assets at fair value through profit or loss, identi- fied as such on first recognition	Financial assets at fair value through profit or loss, available for sale	Loans and re- ceivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss, available for sale
<b>2008</b>					
Cash and balances with central banks	0	0	3	0	0
State bonds eligible as collateral	403,506	0	696,497	779,585	0
Lending to credit institutions	0	0	340,830	2,099,143	0
Lending	104,658,088	0	0	0	0
Bonds and other interest-bearing securities	5,185,376	2,060,610	5,361,094	5,024,524	0
Derivatives	0	4,038,233	0	0	0
Other assets	0	0	25,606	0	0
<b>Total</b>	<b>110,246,970</b>	<b>6,098,843</b>	<b>6,424,030</b>	<b>7,903,252</b>	<b>0</b>
Liabilities to credit institutions	0	0	0	0	0
Securities issued	0	0	0	0	0
Derivatives	0	0	0	0	3,528,061
Other liabilities	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,528,061</b>
<b>2007</b>					
Cash and balances with central banks	0	0	5	0	0
State bonds eligible as collateral	0	0	0	5,598,771	0
Lending to credit institutions	0	0	776	2,513,038	0
Lending	77,937,698	0	0	0	0
Bonds and other interest-bearing securities	0	0	0	17,748,327	0
Derivatives	0	793,874	0	0	0
Other financial assets	0	0	239 767	0	0
<b>Total</b>	<b>77,937,698</b>	<b>793,874</b>	<b>240,548</b>	<b>25,860,136</b>	<b>0</b>
Liabilities to credit institutions	0	0	0	0	0
Securities issued	0	0	0	0	0
Derivatives	0	0	0	0	2,113,074
Other liabilities	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,113,074</b>

The carrying amount for liabilities to credit institutions and securities issued is composed partly of liabilities entered at amortised cost (liabilities that are not part of a hedging relationship) and liabilities at fair value (liabilities that are part of a hedging relationship). Fair value differs from book value as it relates to fair value for both these groups.

The carrying amount for State bonds eligible as collateral and bonds and other interest-bearing securities differs from fair value due to reclassification from available-for-sale financial assets to loans and receivables.

### Reclassification

Reclassification was made on 10 November 2008 of assets that were interest-bearing securities previously included in the category financial assets available-for-sale to the category loans and receivables. Since the reclassification has been made from financial assets available-for-sale the income statement is not affected by changes in value recognised under equity in the fund for fair value. If the reclassification had not been made, equity would have been affected negatively by SEK 66,418,000 in the fund for fair value as per 31.12.2008. Since the 10 November the income statement has recognised interest income of SEK 25,253,000 relating to the reclassified assets.

	31 December 2008		10 November 2008	
	Recognised value	Fair value	Recognised value	Fair value
Interest-bearing securities	6,057,591	5,991,173	6,078,148	6,078,148

All assets are of high quality, for the most part 0% risk-weighted, interest payments are made according to plan and Kommuninvest anticipates that nominal amount will be received on due date.

Other liabilities	Derivatives used in hedge accounting	Total carrying amount	Fair value
0	0	3	3
0	0	1,879,588	1,871,150
0	0	2,439,973	2,439,973
0	0	104,658,088	104,658,088
0	0	17,631,604	17,573,623
0	12,056,055	16,094,288	16,094,288
0	0	25,606	25,606
<b>0</b>	<b>12,056,055</b>	<b>142,729,150</b>	<b>142,662,731</b>
5,390,191	0	5,390,191	5,388,515
126,106,103	0	126,106,103	126,161,011
0	7,146,956	10,675,017	10,675,017
36,864	0	36,864	36,864
<b>131,533,158</b>	<b>7,146,956</b>	<b>142,208,175</b>	<b>142,261,407</b>
0	0	5	5
0	0	5,598,771	5,598,771
0	0	2,513,814	2,513,814
0	0	77,937,698	77,937,698
0	0	17,748,327	17,748,327
0	5,069,898	5,863,772	5,863,772
0	0	239,767	239,767
<b>0</b>	<b>5,069,898</b>	<b>109,902,154</b>	<b>109,902,154</b>
4,627,355	0	4,627,355	4,626,993
93,561,362	0	93,561,362	93,527,196
0	9,162,110	11,275,184	11,275,184
31,131	0	31,131	31,131
<b>98,219,848</b>	<b>9,162,110</b>	<b>109,495,032</b>	<b>109,460,504</b>

### Calculation of fair value

Since only a small part of Kommuninvest's financial instruments are traded on an active market with quoted prices, accepted and well established measurement techniques are deployed to set market values. The measurement techniques are based on maximized use of available market information. The measurement techniques used are based on discounted cash flows, prices from primary and secondary markets as well as indicative prices from third party.

### Lending

Fair value has been based on a discount of anticipated future cash flows where the discount rate is adjusted with the current new lending margins. The calculation methods mean that in times when new lending margins increase, a fair value results which is lower on previous lending, and the reverse applies.

### State bonds eligible as collateral and bonds and other interest-bearing securities

Fair value has been based on a discount of anticipated future cash flows, with the discount rate set at the issuer's risk-weighting depending on whether the issuer is 0%, 20% risk-weighted or a municipal.

### Derivates not included in the hedge accounting

Fair value has been calculated on a discount of anticipated future cash flows, with the discount rate set at the applicable quoted swap rate for derivatives. Derivatives are recognised as assets when they have a positive market value and as a liability when the market value is negative. Kommuninvest's derivative instruments, not included in the hedge accounting, consist of interest and exchange swaps. For further information about Kommuninvest's derivatives, see note 3.

### Borrowing and borrowing derivatives (derivatives included in the hedging accounting)

Fair value for borrowing and the receiving side in a swap has been calculated on a model valuation based on the borrowing structure. This value is continuously reconciled by comparing the counterparties' fair value for corresponding derivatives. The paying side in the derivative has been measured at the applicable quoted swap rate, taking account of the relevant credit spread in the swap. Derivatives are recognised as assets when they have a positive market value and as liabilities when the market value is negative.

Kommuninvest's derivative instruments encompassed by hedge accounting consist of interest and exchange swaps. For further information about Kommuninvest's derivatives, see note 2.

### Other financial assets and liabilities

Fair value is the nominal value of each item. For receivables and accounts payable with a remaining term of less than six months, the carrying amount is considered to reflect fair value.

### Material assumptions and uncertainties

During 2008 the market was very turbulent. Kommuninvest have used the measurement techniques which best reflect reality. Changes in measurement techniques or underlying market data could mean great changes in profit or loss and consolidated statement as regards unrealised market values. However, Kommuninvest intends to hold the assets and liabilities until maturity.

## 23 Capital coverage

### Capital coverage

For the establishment of statutory capital requirements, the Capital Adequacy and Large Exposures Act (2006:1371) applies, along with Swedish Financial Supervisory Authority Regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1).

As far as Kommuninvest i Sverige AB is concerned, these regulations contribute to greater resistance against financial losses, thereby protecting customers. The regulations mean that Kommuninvest i Sverige AB's capital base (equity) should on the one hand cover with a good margin the prescribed minimum capital requirements, which include the capital requirements for credit risks, market risks and operational risks, and should also encompass the estimated capital requirements for other risks identified in the operation in accordance with the chosen principles for capital assessment. For capital requirements above minimum level (pillar 1), amounts have been allocated for the following other risks (pillar 2): Credit risk, market risk, operational risk, interest risk, business risk and strategic risk. Kommuninvest has set an internal capital coverage quote which includes all risks in line with pillar 1 and 2 as well as an extra risk scope as a buffer for risks not calculated for pillar 1 and 2. This quote must not be lowered without the consent of the Board.

Kommuninvest i Sverige AB has a set plan (the capital plan) regarding the size of the capital base for several years ahead, which is based on

- risk profile
- identified risks with regard to probability and financial impact
- 'stress tests' and scenario analyses
- anticipated operational expansion and financing opportunities, and
- new legislation and other external factors.

Reviewing the capital plan is an integral part of Kommuninvest i Sverige AB's work on the annual operations plan and budget. The plan is followed up annually or as required when an annual review is carried out to ensure that the risks are correctly assessed and reflect Kommuninvest i Sverige AB's true risk profile and capital requirement.

In its overall assessment, the Board has found that the capital requirements arising as a consequence of the risks (pillars 1 and 2) identified in a reasonable manner are covered within the scope of current capital. The company's first formal ICAAP report has been approved by the Swedish Financial Supervisory Authority.

As with major credit decisions and investments, any change or addition to a policy or strategy document adopted by the Board must always be related to the Institute's current and future capital requirements. Information on Kommuninvest i Sverige AB's risk management can be found in the administrative report and in Note 3.

Kommuninvest i Sverige AB has opted in this annual report only to provide the information required on capital base and capital requirements in accordance with Chapter 4 of the Swedish Financial Supervisory Authority's Regulations and general guidelines regarding public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5). Information in accordance with these regulations can also be found on the Kommuninvest i Sverige AB website, [www.kommuninvest.se](http://www.kommuninvest.se).

Kommuninvest i Sverige AB's statutory capital requirements in line with Pillar 1 of the new capital adequacy regulations can be summarised as follows, with specifications as per the sections below:

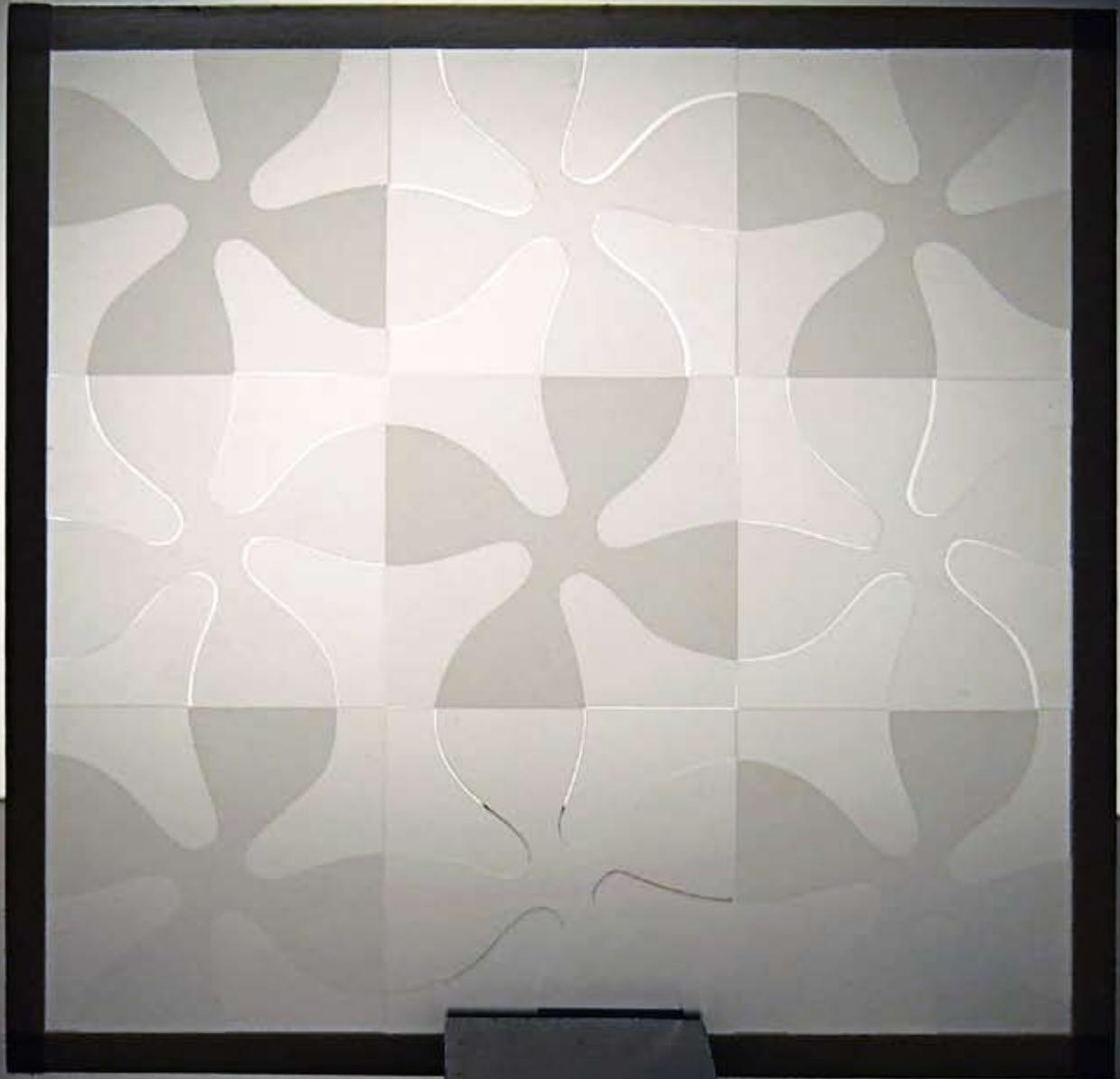
	2008	2007
<b>Primary capital</b>		
Share capital	236,700	198,900
Statutory reserve	17,473	17,473
Profit brought forward	152,479	137,353
Profit for the year	44,540	24,126
Untaxed reserves (72%)	37,561	29,181
<b>Net capital base</b>	<b>488,753</b>	<b>407,033</b>
<b>Total capital requirement</b>		
Standardised method	120,794	207,186
Capital requirement for risks in trade inventory	5,948	
Capital requirement for operational risks	19,190	16,932
Capital requirement for foreign exchange risk	99	919
<b>Total capital requirement</b>	<b>146,031</b>	<b>225,037</b>
Capital coverage quota	3.35	1.81

### Capital basis

The capital basis includes the Board's proposed disposition of earnings.

### Capital requirement

	2008	2007
<b>Credit risk in accordance with standardised method</b>		
1. Exposures to states and central banks	0	0
2. Exposures to municipalities and comparable cooperatives, and authorities	0	0
3. Institutional exposures	119,150	206,265
4. Corporate exposures	320	320
5. Other items	1,324	601
<b>Total capital requirement for credit risks</b>	<b>120,794</b>	<b>207,186</b>
<b>Risks in trade inventory</b>		
Interest risks		
- Specific risk	5,154	0
- General risk	794	0
<b>Total capital requirements for risks in trade inventory</b>	<b>5,948</b>	<b>0</b>
<b>Operational risks</b>		
Basic indicator method	19,190	16,932
<b>Total capital requirement for operational risks</b>	<b>19,190</b>	<b>16,932</b>
<b>Foreign exchange risk</b>		
Foreign exchange risk	99	919
Total capital requirement for foreign exchange risks	99	919
<b>Total minimum capital requirement</b>	<b>146,031</b>	<b>225,037</b>
<b>Start-up capital</b>	<b>9,320</b>	<b>9,320</b>



»Backlight», av Kristin Rapp.

## FIVE-YEAR SUMMARY

	2008	2007	2006	2005	2004
<b>KEY RATIOS 2004-2008</b>					
<b>Growth</b>					
Lending (change in %)	34.3	16.7	17.8	11.0	3.4
Net interest income (change in %)	91.0	-20.6	9.5	16.8	20.0
<b>Consolidation</b>					
Equity and untaxed reserves as a percentage of balance sheet total	0.36	0.38	0.30	0.31	0.33
<b>Income measure</b>					
Administration expenses as a percentage of lending	0.083	0.103	0.120	0.109	0.104
Administration expenses as a percentage of balance sheet total	0.061	0.073	0.079	0.068	0.079
<b>Efficiency</b>					
Administration expenses/employee (in thousands of SEK)	2,131	2,177	2,113	1,760	1,569
Change (%)	-2.1	3.0	20.1	12.2	-0.3
Lending/employee (in thousands of SEK)	2,552,636	2,106,424	1,758,208	1,621,093	1,503,397
Change (%)	21.2	19.8	8.5	7.8	-2.7
<b>Return</b>					
Operating profit after tax as a percentage of average equity	12.06	6.34	7.43	16.29	7.55
<b>Income/expense ratio (I/E)</b>					
Net interest income and other operating income in relation to total costs	1.7	1.0	1.3	1.5	1.5
<b>Other information</b>					
Number of employees	41	37	38	35	34

	2008	2007	2006	2005	2004
<b>INCOME STATEMENT</b>					
Net interest income	152,075	79,610	100,214	91,504	78,373
Commission expenses	-3,633	-3,126	-4,080	-3,806	-2,704
Net result of financial transactions	13,942	34,181	12,632	26,043	-1,948
Other operating income	336	600	1,042	3,831	1,514
<b>Total income</b>	<b>162,720</b>	<b>111,265</b>	<b>109,808</b>	<b>117,572</b>	<b>75,235</b>
General administration expenses	-80,582	-75,868	-74,535	-57,604	-49,413
Depreciation	-1,630	-1,602	-2,084	-1,807	-1,634
Other operating expenses	-5,174	-3,093	-3,686	-2,192	-2,386
<b>Total expenses</b>	<b>-87,386</b>	<b>-80,563</b>	<b>-80,305</b>	<b>-61,603</b>	<b>-53,433</b>
<b>Operating profit</b>	<b>75,334</b>	<b>30,702</b>	<b>29,503</b>	<b>55,969</b>	<b>21,802</b>
Appropriations, net	-11,636	544	-3,595	-11,595	-2,722
Taxes	-19,158	-7,120	-8,026	-12,798	-5,503
<b>Profit for the year</b>	<b>44,540</b>	<b>24,126</b>	<b>17,882</b>	<b>31,576</b>	<b>13,577</b>
<b>BALANCE SHEET</b>					
Cash	3	5	1	1	0
State bonds eligible as collateral	1,879,588	5,598,771	6,349,315	10,518,887	5,175,618
Lending to credit institutions	2,439,973	2,513,814	2,680,563	3,109,722	1,705,395
Lending	104,658,088	77,937,698	66,811,917	56,738,251	51,115,491
Bonds and other interest-bearing securities	17,631,604	17,748,327	21,567,302	18,116,466	8,716,646
Shares and participations	323	146			
Shares in associated companies	504	504	504	504	504
Derivatives	16,094,288	5,863,772			
Tangible assets, equipment	4,415	3,184	3,356	3,151	3,599
Other assets	25,925	249,051	3,067,005	2,043,157	616,513
Prepaid expenses and accrued income	3,744	2,284	694,089	618,308	650,304
<b>Total assets</b>	<b>142,738,455</b>	<b>109,917,556</b>	<b>101,174,052</b>	<b>91,148,447</b>	<b>67,984,070</b>
Liabilities to credit institutions	5,390,191	4,627,355	3,618,393	3,424,562	1,800,503
Securities issued	126,106,103	93,561,362	93,388,186	84,738,299	64,682,421
Derivatives	10,675,017	11,275,184			
Other liabilities	40,421	32,223	3,105,578	2,019,697	623,238
Accrued expenses and prepaid income	13,499	8,294	755,206	678,953	652,479
Provisions for pensions and similar obligations	402	182			
<b>Total liabilities</b>	<b>142,225,633</b>	<b>109,504,600</b>	<b>100,867,363</b>	<b>90,861,511</b>	<b>67,758,641</b>
Untaxed reserves	52,169	40,533	41,077	37,482	25,887
Equity	460,653	372,423	265,612	249,454	199,542
<b>Total equity and liabilities</b>	<b>142,738,455</b>	<b>109,917,556</b>	<b>101,174,052</b>	<b>91,148,447</b>	<b>67,984,070</b>

1. Figures for comparison years are based on 2006 and previously in accordance with earlier accounting principles.

## APPROPRIATION OF SURPLUS

The Board and the President propose that:	
profit for the year	44,540,009
profit brought forward	152,479,485
fund for fair value	9,460,834
total	206,480,328

be appropriated as follows:

To be carried forward	206,480,328
-----------------------	-------------

Applicable rules for capital coverage and major exposures mean that Kommuninvest must at all times have a capital base which at least corresponds to the total of the capital requirements for credit risks, market risks and operational risks, and should also encompass the estimated capital requirements for other risks identified in the oper-

ation in accordance with Kommuninvest's internal capital assessment policy.

Kommuninvest's capital coverage quota after the proposed allocation of profits amounts to 3.35% (1.81). The capital base amounts to SEK 489 (407) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 146 (225) million. A specification of items can be found in the note on capital coverage.

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 results and general position, please refer to the income statements and balance sheets with associated comments on the financial statements.

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 Kommuninvest's operation, financial position and results and describes the material risks and uncertainties facing the company.

The annual report, as specified above, was approved for issue by the Board on 25 February 2009. Kommuninvest's income statement and balance sheet will be adopted by the Annual General Meeting on 2 April 2009.

Örebro, Sweden, 25 February 2009

Tommy Persson  
*Chairman*

Ellen Bramness Arvidsson  
*Vice Chairman*

Ingemar Alserud

Lorentz Andersson

Alf Egnerfors

Anna von Knorring

Kerstin Ryding

Ann-Charlotte Stenkil

Tomas Werngren  
*President and CEO*

Our Audit Report was submitted on 25 February 2009  
Ernst & Young AB

Peter Strandh  
*Authorised Public Accountant*

# AUDIT REPORT

To the annual meeting of the shareholders of Kommuninvest i Sverige AB (publ)  
Corporate identity number 556281-4409

We have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Kommuninvest i Sverige AB (publ) for the year 2008. These accounts and the administration of the company and the application of the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the annual accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined

significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, 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. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Örebro, Sweden, 25 February 2009

Ernst & Young AB

Peter Strandh  
*Authorised Public Accountant*

## REVIEW REPORT

We the lay auditors, appointed by the Annual General Meeting, have examined the operation of Kommuninvest i Sverige AB.

The Board and President are responsible for the operation being conducted in accordance with the Articles of Association and owner directive as well as the regulations pertaining to the operation. The responsibility of the lay auditors is to examine the operation and control and test if the operation has been conducted in accordance with the mandate of the Annual General Meeting.

The examination was made in accordance with the Swedish Companies Act. By reviewing documents/basis for decisions, protocols/information and by discussion with Management and the authorised auditors, the audit has been made with the focus and scope necessary to give a reasonable basis for opinion and testing.

It is our opinion that the company's operation has been carried out in a purposeful and financially satisfactory manner and the company's internal control has been sufficient.

Örebro, Sweden, 25 February 2009

Barbro Tjernström

Anita Bohman

## CORPORATE GOVERNANCE REPORT – KOMMUNINVEST I SVERIGE AB (PUBL)

In legal terms, Kommuninvest i Sverige AB (publ) (“Kommuninvest”) is a limited company which conducts its financing operations as a credit market company. The business is regulated by the Swedish Financial Supervisory Authority. As an unlisted company, Kommuninvest is not covered by the Swedish Code of Corporate Governance. Kommuninvest has assumed a responsible role as a debt office for Sweden’s municipal sector and therefore pursues active corporate governance.

As a wholly-owned subsidiary of Kommuninvest Cooperative Society, Kommuninvest has only one owner. As a result, an important part of the actual corporate governance is carried out by the Annual General Meeting of Kommuninvest Cooperative Society, which is the natural forum of the owners. This means that the members of the two committees appointed at the Society’s AGM – the Election Committee and the Auditing Committee – are also appointed as the Election Committee and lay auditors for Kommuninvest i Sverige AB at the following AGM.

### Election Committee

The seven members of the Election Committee are appointed at the Annual General Meeting of Kommuninvest Cooperative Society. The members must be individuals with commissions of trust with municipalities or county councils that are members of the Society, but they must be independent of the Society’s Board. The Election Committee appointed by the Society is responsible for putting forward proposals regarding the election of the Board of Directors, chairman and deputy chairman of Kommuninvest, as well as proposals for their remuneration. It works according to a profile of standards, based on the principle that the Board members should possess the skills required by the Swedish Financial Supervisory Authority relevant to the nature and scope of Kommuninvest’s operation.

The Election Committee must also submit proposals for the election of lay auditors and proposals for the remuneration of the same. These lay auditors will constitute an election committee for the Board’s choice of auditors within the Society and within the Society’s company.

The Kommuninvest Cooperative Society AGM

in 2007 elected the following members onto the Election Committee:

**Anette Åkesson**, born 1966  
Chair of the Executive Committee,  
Municipality of Båstad

**Anders Ceder**, born 1951  
Municipal Commissioner for the Opposition,  
Municipality of Lindesberg

**Kenneth Carlsson**, born 1952  
1st Vice Chair of the Executive Committee,  
Municipality of Färgelanda

**Kerstin Sjöström**, born 1955  
Member of the Executive Committee,  
Municipality of Nordmaling

**Niklas Sjöberg**, born 1964  
Chair of the Executive Committee,  
Municipality of Skurup

**Anders Berglöv**, born 1961  
1st Vice Chair of the Executive Committee,  
Municipality of Flen

**Elisabeth Lassen**, born 1953  
Chair of the Executive Committee,  
Municipality of Sollefteå

For further information on the Election Committee and its full rules of procedure, please see [www.kommuninvest.se](http://www.kommuninvest.se)

### Lay auditors

The Annual Association Meeting of Kommuninvest Cooperative Society selects lay auditors (previously referred to as the Auditing Committee). These lay auditors regularly meet the appointed auditors and where necessary they can initiate auditing measures additional to the statutory audit. The lay auditors also act as an election committee, recommending auditors and submitting proposals for their remuneration.

The following lay auditors were appointed at the Annual Association Meeting of Kommuninvest Cooperative Society on 3 April 2008:

**Anita Bohman** (born 1944)  
Municipality of Västervik

**Barbro Tjernström** (born 1936)  
Municipality of Söderköping

### Articles of Association

The Articles of Association of Kommuninvest i Sverige AB, which is a public company, define the company's operation, the share capital framework and the number of members on the Board, procedures for appointing auditors, AGM location, rules for convening the AGM and dealing with the items on its agenda, the company's financial year and other parameters.

The full Articles of Association can be read at [www.kommuninvest.se](http://www.kommuninvest.se)

### Annual General Meeting

The Annual General Meeting of Kommuninvest i Sverige AB (publ) considers and resolves on the company's income statement and balance sheet, discharge of Board members and the President from liability, appointment of the Board, Chairman and Vice Chairman for the coming 12 months, and where applicable appointment of the auditors and remuneration for the Board and auditors.

The AGM on 3 April 2008 decided on various matters, including:

- Appointment of the Board, its Chairman and Vice Chairman
- Appointment of an Election Committee and lay auditors
- Payment of remuneration to the Board
- Owner directives
- New share issue
- New share issue during the current financial year
- Rules of Procedure for the Election Committee
- Changes in Articles of Association

### The work of the Board of Directors

The Board of Directors of Kommuninvest has ultimate responsibility for the company's organisation and management. Set rules of procedure stipulate areas such as the Board's remit and routines for Board meetings. The Board's remit includes set-

ting objectives and strategies for the operation, a responsibility for identifying and managing risks, and ensuring the operation is conducted in compliance with the pre-determined objectives. The Board shall also prepare internal controlling documents including written instructions for the reports to be produced by the company. The rules of procedure are reviewed and adopted once a year.

Instructions for the President and report instructions prepared by the Board stipulate for example that the President is responsible for the company's ongoing activities pursuant to Board guidelines, and for drawing up a proposed operations plan, budget and annual/interim accounts.

The Board consists of eight members representing a broad skills base in areas such as public services, the capital markets and business development.

In 2008 the Board of Directors met on 15 (12) occasions. Among other things, agendas and decisions have related to :

- Investigation of public housing sector
- Review of risk management processes
- Situation on the capital markets
- Corporate governance issues
- Company equity
- Municipal companies' restriction of interest deductions
- Membership of the Riksbank RIX

### Board members and their remuneration

The Board of Directors had the following composition in 2008:

#### **Tommy Persson** (born 1948), **Stockholm**

Chairman since the 2008 Annual General Meeting  
University of Lund, 1971, economics graduate  
Former positions: Länsförsäkringar AB, President and CEO, 1996–2008.  
Posten AB, Vice President, 1990–1996.  
Holmen AB, President of Holmen Hygien, 1983–1990.

Electrolux AB, President of Ballingslövök 1980–1983.

Klippan AB, various positions, 1971–1980.

Other assignments: Chairman of CEA; European insurance federation. Chairman of Länsförsäkringar Bergslagen. Chairman of the Seventh AP

Fund. Member of LRF Konsult. Member of Stockholm Chamber of Commerce. Member of supervisory council at the Legal, Financial and Administrative Services Agency.

**Robert Stenram** (born 1941), **London**  
Chairman up to 2008 Annual General Meeting.

**Ellen Bramness Arvidsson** (born 1964), **Stockholm**  
Vice Chairman since 2006, member since 2003. School of Business and Economics and FAF, 1999: Diploma course for financial analysts. University of Oslo, 1992: candidata oeconomiae (equivalent to fil.lic in managerial economics). Chief Accountant, Swedish Insurance Federation, Stockholm, head of analysis division, 2002–. Financial position on the Stockholm steering committee, 2006–2008. Expert on the Swedish Insurance Company Committee, 2003–2006. Expert on the Swedish Insurance Supervisory Committee, 2004–2005. Economist, Swedish Insurance Federation, 2001–2002. Deputy Director, Ministry of Finance financial market department. Project manager, 1999–2001. Ministry secretary, Ministry of Finance financial market department, with responsibility for insurance and securities issues, 1997–1999. Ministry secretary at the Ministry of Finance tax department. Tax economist with responsibility for corporate and capital taxation, administrator, 1992–1997. Other assignments: Chairman of Minpension i Sverige AB. Deputy Board member for the association for good practice on the securities market.

**Ingemar Alserud** (born 1954), **Stockholm**  
Member since the 2008 Annual General Meeting. School of Business, Economics and Law at Gothenburg University, 1989–1991, MBA. Mil-Institute in Lund, 1986–1987, Swedish MiL programme. Örebro College, 1974–1977, administration sociologist. President and CEO, Lernia AB, 2001–2007.

Chairman of the Board, Lernia Bemanning AB, 2002–2007.

Chairman, Association of Swedish Managers, 2004–2007.

Member of the Board, EVTA, European Vocational Training Association, 2002–2007.

Board member of Att Veta AB, 2001–2003.

Chairman of the Board, Cityservice AB/Parkeringsbolag, 2001–2003.

Vice chairman, DEXIA Kommunalbank, 1998–2001. Scandinavia, formerly Crédit Local de France.

Member of the Board for DEXIA Kommunalbank, Scandinavia, 1996–1998.

President and CEO, KPA AB, 1994–2001.

Member of the Board, KPA AB. 1992–1994.

Chairman, Kommunernas Försäkringsaktiebolag, 1992–1994.

Member of the Public Employers' cooperative body appointed by the government, 1991–1994.

Member of the AMS Advisory committee (parties), 1992–1994.

Member of Post Office Advisory Team under the President, 1989–1994.

Member of the Working Rights Committee, government commission, 1992–1993.

Director of Negotiations, Svenska Kommunförbundet, 1991–1994.

Director, Svenska Kommunförbundet, Principal Finance Officer, 1990–1991.

Head of Section, Svenska Kommunförbundet, unit for economic administrative development work, 1984–1990.

Administrator/Expert, Svenska Kommunförbundet, unit for economic administrative development work, 1980–1984.

Stockholm University, lecturer, 1979–1983.

Örebro College, lecturer, 1977–1981.

Committee secretary, municipality of Valdemarsvik, 1977–1980.

Östra Småland, reporter (with journalist authorisation). 1969–1974.

**Christer Akej** (born 1955), **Simrishamn**  
Member up to 2008 Annual General Meeting.

**Lorentz Andersson** (born 1942), **Skellefteå**  
Member since 2001.

Luleå University of Technology, 2008, honorary Doctor of Technology.  
 1965, Construction engineer.  
 County Governor for Västerbotten, 2001–2007.  
 Municipal Chairman of the Board for the municipality of Skellefteå, 1980–2001.  
 President of the two property companies AB Asako and Polaris AB, and politician in the municipality of Skellefteå, 1970–1980.  
 Other assignments: Chairman of Sparbanksstiftelsen Norrland. Director of Sparbank Foundations Management Company. Chairman of the Sparbanksstiftelsen Norrland venture capital foundation. Chairman of Träcentrum Norr. Chairman of Norrbotniabanan AB. Chairman and director of a large number of government bodies, including the tax equalisation committees and the municipal expertise committee. Member of the Board for the Social Democratic Workers' Party of Sweden. Board member, Svenska Kommunförbundet.

**Alf Egnerfors** (born 1946), **Eskilstuna**

Member since 2006.  
 Vice Chairman, Kommuninvest Cooperative Society.  
 Specialised courses, 1968–1977.  
 O-level examination, 1963.  
 Chairman, Eskilstuna Kommunfastigheter, 2007–.  
 Part-time politician, Sörmland County Council, 2004–2006.  
 Ombudsman, Swedish Municipal Workers' Union, 1977–2006.  
 Chairman of the Board of Sörmland County Council, 1995–2003.  
 Member, Swedish Parliament, 1989–1994.  
 Central Hospital, Eskilstuna, 1968–1977.

**Kerstin Ryding** (born 1952), **Gävle**

Member since 2006, deputy member since 2003.  
 Chief Financial Officer, Municipality of Sandviken, 1998–.  
 Board member, Swedish municipal accountants' association, 2002–2006.  
 Regional manager, Enator, 1993–1997.  
 Head of Finance, Municipality of Sandviken, 1986–1993.  
 Financial secretary, Municipality of Sandviken, 1984–1986.

Auditor, Svenska Kommunförbundet's Audit department, 1982–1984.  
 Planning assistant, Södertälje Energi, 1980–1981.  
 Study organiser, Association of the Swedish Deafblind, 1977–1980.

**Petter Skouen** (born 1946), **Oslo**

Member up to 2008 Annual General Meeting.

**Anna von Knorring** (born 1965), **Helsinki**

Member since 2004.  
 Helsinki University, 1993, Juris kandidat.  
 Swedish School of Business and Economics, Helsinki, 1989, Ekonomie magister.  
 Deputy Director, State Treasury Financing, Finland, 2004–.  
 Commissions within government international and domestic borrowing, debt maintenance (derivative transactions) and risk management, Ministry of Finance and State Treasury, 1990–2004.  
 Other assignments: Board member, Hansel AB. Finnish government's collective procurement unit. Member of the Sparbank Foundation delegation, Helsinki. Board member of Nordic Capital Markets Forum.

**Ann-Charlotte Stenkil** (born 1953), **Varberg**

Member since the 2008 Annual General Meeting.  
 Chairman of Kommuninvest Cooperative Society.  
 Member of the city executive board, Municipality of Varberg.  
 Gothenburg University, 1983–1985,  
 MBA (40 points)  
 Gothenburg University, 1974–1977, economics graduate.  
 Chairman of Kommuninvest Cooperative Society, 2007–.  
 Deputy of Kommuninvest Cooperative Society, 2003–2006.  
 Member of Municipal Council, Varberg, 2003–.  
 Member of Varberg city executive board, 2007–.  
 Deputy of Varberg city executive board, 2003–2006.  
 Member of Varberg city executive board executive committee, 2007–.  
 Chairman, Varberg city executive board personnel committee, 2003–2006.  
 Member, Varbergs Stadshus AB, 2007–.

Member, Varbergs Fastighetsaktiebolag, 2007–.  
 Director of Varberg Vatten AB, 2008–.  
 Deputy of the housing committee, Municipality of Varberg. 2001–2002.  
 Recruitment consultant and partner of Ledarskaparna Chefsrekrytering OS AB, 1998–.  
 Head of Finance at municipal housing company, 1985–1998.  
 Senior accountant at company specialising in tourism, 1984–1985.  
 Senior accountant at municipal foundation specialising in spa operations, 1983–1985.  
 Senior accountant at wholesaler company in the field of sports angling equipment, 1977–1983.

### Board members' remuneration

Remuneration to the Board Chairman, Tommy Persson, within the framework of the Board fees approved by the Annual General Meeting, amounted to SEK 400 000 in 2008. Remuneration is payable to each Board member as specified in the table below. Total remuneration to the Board members elected by the Annual General Meeting is subject to AGM resolution and amounted to SEK 1 514 000 in 2008.

### Members' position of dependence

All members are considered to be independent vis-à-vis the company.

### Committees

#### *Financial Committee (previously Credit Committee)*

The Financial Committee is entitled to decide on issues stipulated in policies and instructions for the credit and finance operation.

The Board Chairman and Vice Chairman are the members of the Financial Committee.

### Committees merged and changed principal

As a consequence of work on cultivating the roles of the Society and the company, which at the meetings in 2008 changed their regulations and Articles of Association, work in committee form has been altered as of the start of the second half of 2008.

Over the period January – June 2008, there were two committees at the company; the Analysis Committee and the Financial Committee. These committees were appointed by the company Board.

As of July 2008, the two committees were merged and transferred to Kommuninvest Cooperative Society under the name of the Analysis and Financial Committee. Its members were appointed on the same occasion as the company Board. Many of the tasks previously incumbent on the committees were transferred to the new committee in the Society, while certain tasks remain within the company and are handled by its own organisation.

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

Name	Board attendance	Finance Committee attendance	Remuneration	
			2008	2007
<i>Current Board of Directors</i>				
Tommy Persson	11 (-)	2	400,000	-
Ellen Bramness Arvidsson	13 (12)	2	158,000	152,000
Lorentz Andersson	15 (12)		134,000	113,000
Alf Egnerfors	15 (10)		134,000	106,000
Kerstin Ryding	15 (11)		136,000	106,000
Anna von Knorring	13 (9)		134,000	94,000
Ingemar Alserud	9 (-)		78,000	-
Ann-Charlotte Stenkil	11 (-)		102,000	-
<i>Retiring directors, April 2008</i>				
Robert Stenram	3 (12)		167,000	502,000
Christer Akej	3 (8)		71,000	81,000
Petter Skouen	3 (9)		-	102,000

**Analysis committee (to June 2008):***Chairman***Thomas Åkelius**

Controller, Kommuninvest

**Tomas Carlsson**

Principal Finance Director, Municipality of Eksjö

**Nils-Eric Gustavsson**

Principal Finance Director, Västmanland County Council

**Ingalill Hellberg**

Chief Administrative Officer, Municipality of Staffanstorps

**Tommy Malm**

Principal Finance Director, Municipality of Eskilstuna

**David Nyberg**

Chief Administrative Officer, Municipality of Skellefteå

**Madeleine Sjöstrand**

Chief Administrative Officer, Municipality of Haninge

**Financial committee (to June 2008):***Chairman***Harriet Forsell Söderberg**

Executive Vice President, Kommuninvest

**Per Björkengren**

Principal Finance Director, Municipality of Karlstad

**Stefan Ekfeldt**

Principal Finance Director, ÖrebroBostäder AB

**Ulf Ericsson**

Principal Finance Director, Tanums Bostäder AB

**Bernt Grahn**

Chief Administrative Officer, Municipality of Luleå

**Kerstin Gustavsson**

Principal Finance Officer, Municipality of Örkelljunga

**Björn Ryd**

Principal Finance Officer, Municipality of Gävle

**Johan Sandlund**

Chief Administrative Officer, Municipality of Trosa

**Corporate management**

The President leads, organises and develops operations in such a way that the objectives determined by the Board of Directors are achieved. Written instructions stipulate the division of labour between the Board of Directors and the President. These in-

structions also take account of the Swedish Financial Supervisory Authority's general recommendations on the control and management of financial companies, as well as the Authority's perception of the President's tasks and responsibilities.

The President is responsible for keeping the Board of Directors continuously informed of changes to regulatory structures, the content of Audit Reports and other significant events. The President's task is to provide the Board with the requisite information and decision-support data in contexts such as Board meetings, and to ensure that the Board receives a monthly written report. The rules of procedure also formalise the President's financial framework.

**Executive managers and their remuneration**

There is an executive management team to support the President.

On 1 October, the management function changed so as to create a new executive management team. The executive management team was supplemented from the same time by a larger, extended management team.

On 1 September, the Board appointed a Vice President.

*Corporate Management up to 30 September 2008*

Tomas Werngren, President and CEO

Harriet Forsell Söderberg

Maria Viimne

Ulf Jivmark

Johanna Larsson

*Corporate Management from 1 October 2008*

Tomas Werngren, President and CEO

Maria Viimne

Johanna Larsson

Fredrik Sjöstrand

*Executive management and deputies***Tomas Werngren** (born 1961)

President and CEO

Postgraduate degree

1983 Tek. kand – public administration, Universities of Örebro and Stockholm.

*Employment:*

- 2006– Kommuninvest, President.  
 1996 Kommuninvest, Vice President and Director of Finance.  
 1994 Kommuninvest, Deputy Managing Director and Head of Finance.  
 1991 SBAB, Treasurer – Head of Funding.  
 1990 SBAB, Treasurer.  
 1988 PK-Kredit, Chief Dealer.  
 1986 PK-Banken, Trader.  
 1983 PK-Banken, branches Örebro and Karlskoga.

**Maria Viimne** (born 1970)

Vice CEO

Postgraduate degree

- 1996 Ekonomie kand, Mälardalens högskola.  
 1995 Jur. kand, Stockholm University.  
 1994 European Master in Law & Economics, University of Rotterdam and University of Hamburg.

*Employment:*

- 2008– Kommuninvest, Vice President.  
 2002 Kommuninvest, Head of Financial Group.  
 1998 Kommuninvest, company lawyer.  
 1996 Mora City Court, Court Clerk.  
 1993 National Road Administration Borlänge, Legal section – holiday cover staff.  
 1992 Regional rent and leasehold property tribunal in Västerås, summer clerk.

**Fredrik Sjöstrand** (born 1960)

Senior Vice President

Postgraduate degree

- 1983– Tek. kand – public administration,  
 1987 Stockholm University.

*Employment:*

- 2008– Kommuninvest, Senior Vice President and Head of Treasury.  
 2007 Straumur Investment Bank, Co Head proprietary trading.  
 2005 Handelsbanken capital markets, Head of Risk Management.  
 2002 Handelsbanken capital markets, Head of Trading.  
 1999 Fixed Income Europe, Head of F.I.E.  
 1998 Svenska Handelsbanken, Head of European Proprietary.  
 1997 Bear Stearns International London, Trader.  
 1995 Svenska Handelsbanken, Swaps Trader.  
 1993 Prebon yamane SA, Capital markets desk.  
 1989 Swedbank Stockholm, Chief dealer of Gov Bond swap and trading.  
 1989 JP-bank Stockholm, Chief Dealer of Gov Bond trading.  
 1987 Carnegie Fondkommission AB Stockholm, Dealer of Gov Bond trading.

**Johanna Larsson** ( born 1973)

Head of Administration

Postgraduate degree

- 1992– Mathematics and Natural Science  
 1996 programme, Stockholm University.

*Employment:*

- 2006– Kommuninvest, Head of Administration.  
 2000 Kommuninvest, financial advisor.  
 1999 Birka Energi, portfolio manager.  
 1997 Statistics Sweden, case officer.  
 1996 Asplundsskolan i Hagfors, supply teacher.  
 1996 Hagfors Tourist Agency, tourist hostess (summer deputy).

**Remuneration – Executive managers of Kommuninvest i Sverige AB (publ)**

Name	Year	Basic salary	Other benefits	Variable performance benefit	Pension expenses	Total
Tomas Werngren	2007	2 260 000	90 000		553 000	2 903 000
	2008	2 306 890	103 420		580 000	2 990 310
Maria Viimne	2008	1 092 880	1 780	144	245 000	1 339 660
Executive management	2007	3 360 060	29 960		Persuant to SPP's pension plan	
	2008	901 700	0	146		

## THE BOARD MEMBERS

### Board Chairman



**Tommy Persson**  
(born 1948)  
Chairman since 2008.  
Stockholm.

### Vice Chairman



**Ellen Bramness Arvidsson**  
(born in 1964)  
Vice Chairman since 2006.  
Member since 2003.  
Chief Accountant, Swedish Insurance Federation,  
Stockholm.

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### Ledamöter

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**Ingemar Alserud**  
(born 1954)  
Member since 2008.  
Stockholm.



**Lorentz Andersson**  
(born in 1942)  
Member since 2001.  
Umeå.



**Alf Egnerfors**  
(born in 1946)  
Member since 2006.  
Vice Chairman of Kommuninvest  
Cooperative Society.  
Board Chairman of Kommun-  
fastigheter i Eskilstuna.



**Anna von Knorring**  
(born in 1965)  
Member since 2004.  
Deputy Director, State Treasury,  
Helsinki.



**Kerstin Ryding**  
(born in 1952)  
Member since 2006.  
Deputy Member since 2003  
CFO, Sandviken.



**Ann-Charlotte Stenkil**  
(fborn 1953)  
Member since 2008.  
Member of the Executive Committee,  
Municipality of Varberg.



»Crystal ladder«, by Christian von Sydow.  
Photograph: Morten von Sydow



**KOMMUNINVEST  
OF SWEDEN**  
*Public Debt Office*

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