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Annual report for Kommuninvest i Sverige AB (publ)

This is the Annual Report for the credit market company Kommuninvest i Sverige AB. The Annual Report for the owner, the Kommuninvest Cooperative Society, is available at www.kommuninvest.org



Kommuninvest's assignment and role

Most efficient financing possible for the local government sector

Swedish municipalities and county councils, and their subsidiary companies, provide Swedish citizens with many of the services that are essential in a well-functioning society. The municipalities' and county councils' operations are largely tax funded and it is in citizens' interests that they are managed as efficiently as possible.

One approach is to secure stable and cost-efficient loan financing for the investments made by the municipalities and county councils. For this reason, Swedish municipalities and county councils jointly own Kommuninvest. Kommuninvest offers its members and customers financing, skills development and cooperation. Kommuninvest also represents the local government sector on matters of loan financing.

Stable financing regardless of the international situation

A highly important aspect of Kommuninvest's assignment is to ensure that municipalities and county councils are able to obtain loan financing regardless of developments in the financial markets. Kommuninvest's operations are therefore conducted maintaining a conservative view on risk and with considerable reserves.

A sound investment

A precondition to being able to offer attractive borrowing terms is that Kommuninvest itself is an attractive borrower on national and international borrowing markets. Kommuninvest offers investors a broad selection of investment instruments and currencies. Having the highest possible rating, Aaa/AAA, Kommuninvest is one of the world's most creditworthy issuers. Its borrowing operations have the lowest possible risk weighting according to current capital adequacy rules.

Kommuninvest in brief

The local government sector's cooperation through Kommuninvest is intended to enhance the efficiency of the sector's financing and to contribute to increased financial stability. Kommuninvest is the Swedish local government sector's largest lender and accounts for some 45 percent of its total external borrowing. Kommuninvest's vision is to be the natural choice for Swedish municipalities and county councils when it comes to financial administration.

When Kommuninvest¹ was founded by nine municipalities and Örebro County Council in 1986, it was with the same simple concept that still pervades its operations today: to work together to obtain better borrowing terms in the market for local government loan financing. At the end of 2012, the cooperation encompassed 274 municipalities and county councils, corresponding to nearly 90 percent of Sweden's municipalities and county councils.

The Kommuninvest group primarily consists of the owners/membership organisation, the Kommuninvest Cooperative Society, and the credit market company, Kommuninvest i Sverige AB, in which all business operations are conducted. The credit market company also owns Kommuninvest Fastighets AB, which owns the property in Örebro from where the credit market company conducts its operations. Kommuninvest i Sverige AB is a wholly-owned subsidiary of the Kommuninvest Cooperative Society.

Kommuninvest acts as a tool that allows Swedish municipalities and county councils to

be able to secure stable and cost-efficient financing. The operations help reduce risk in the loan financing of local government activities and therefore contribute to increased financial stability in the local government sector.

Exceptional creditworthiness

Joint and several guarantee 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. The guarantee is considered very strong since municipalities and county councils cannot be declared bankrupt and

Kommuninvest Cooperative Society

– owner/member organisation

- Represents the local government sector on financing issues
- Referral body
- Network for elected officials
- Owns Kommuninvest i Sverige AB

Kommuninvest i Sverige AB

– credit market company

- Funding
- Credit advisory services
- External monitoring
- Education

¹ On pages 3–9, "Kommuninvest" is used to denote the member organisation Kommuninvest Cooperative Society and/or the credit market company Kommuninvest i Sverige AB as the context may require. From page 10 and onward, "Kommuninvest" refers to Kommuninvest i Sverige AB unless otherwise stated. Prior to the establishment of Kommuninvest Cooperative Society in 1993, the cooperation was run via the company Kommuninvest i Örebro län AB, founded in 1986. This company changed its name to Kommuninvest i Sverige AB in 1993.

1 Multi-year summary Kommuninvest i Sverige AB

	2012	2011	2010	2009	2008
Balance sheet total, SEK billion	283.3	234.0	190.2	183.1	142.7
Lending, SEK billion	201.0	168.1	133.7	123.6	104.7
Profit, SEK million	320.6	300.6	140.6	170.6	44.5
Members, total	274	267	260	248	223
of which, municipalities	266	259	253	241	216
of which, county councils	8	8	7	7	7
Capitalisation (capital base as % of balance sheet total)	0.61%	0.81%	0.99%	0.40%	0.34%
Adjusted capitalisation (1)	0.95%	0.95%	0.99%	0.40%	0.34%
Capital adequacy quota (2)	3.80	5.71	10.09	4.24	3.35

For further information about capitalisation and capital adequacy, see pages 16-17 and note 29.

(1) The capital base adjusted for estimated but not yet approved capital injection relating to the results for 2012, see page 16.

(2) Capital base divided by capital requirement, pillar I in accordance with Basel II regulations and the EU capital requirements directive.

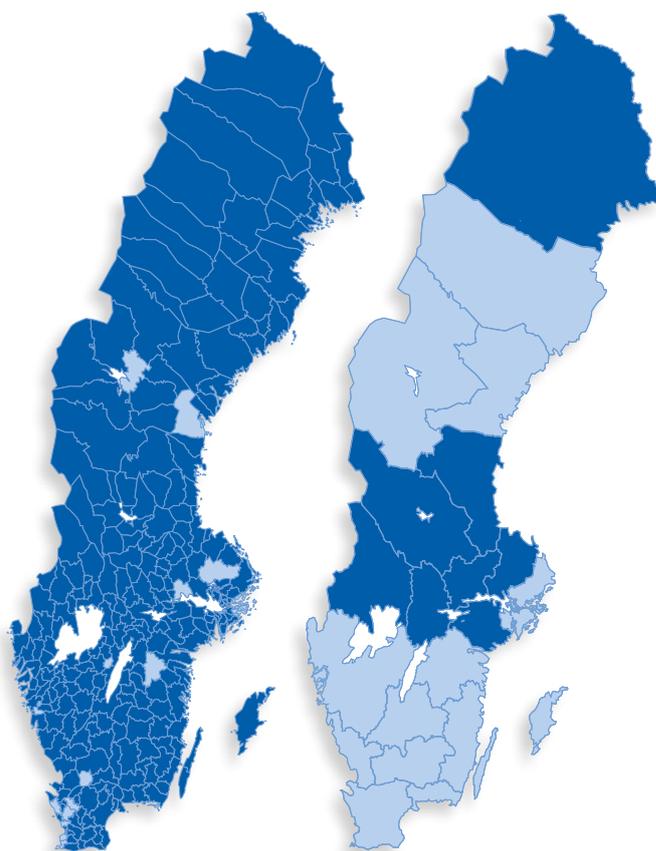
cannot cease to exist other than by merging; since the state bears the ultimate responsibility for the activities of local government sector and since Swedish municipalities and county councils are entitled to levy taxes.

High quality of assets

Kommuninvest i Sverige AB's products and services are only available to municipalities and county councils who are members of the Kommuninvest Cooperative Society and, against guarantees, to companies in which members are majority shareholders, as well as municipal foundations and associations. Kommuninvest's lending operations have a zero risk weight according to current capital adequacy rules.

Highest possible rating

Kommuninvest holds the highest possible credit rating, Aaa/AAA, from two independent credit rating institutions.



Municipal members, 31 December 2012

County council members, 31 December 2012

Goals and goal achievement – Kommuninvest i Sverige AB

With the purpose of supporting the long-term focus of the business, Kommuninvest's efforts are aligned against strategic targets for growth, stability and efficiency.

Growth

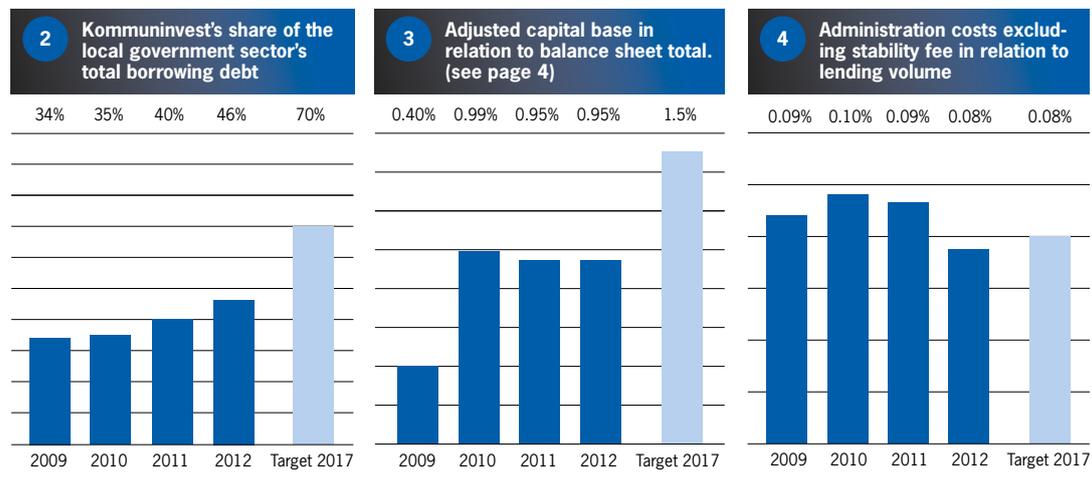
By the end of 2017, lending is 70 percent of the local government sector's external borrowing. At the end of the year, the share was 46 (40) percent.

Stability

By the end of 2017, the capital base corresponds to at least 1.5 percent of the balance sheet total. At the end of the year, this was 0.61 (0.81) percent. Had refunds and payment of investment capital taken place in accordance with the description on page 16 as per 31 December 2012, the capital base would have amounted to 0.95 (0.95) percent of the balance sheet total.

Efficiency

By the end of 2017, the administration costs for the business is to at most 0.08 percent of the lending volume. In 2012, administration costs for the business, excluding the stability fee, amounted to 0.08 (0.09) percent.



Strengthened foundations

In 2012, Kommuninvest grew even more robust: work to strengthen the company's capitalisation is progressing as planned; the organisation has been adapted to the growing operations and external demands; and methods and processes have been further developed.

Kommuninvest's simple idea of cooperation between municipalities to achieve advantages of scale is also its strength. The business concept is easily understood by stakeholders and gives us on the Board and employees a clear focus. Not least, it provides the conditions for operations to be conducted efficiently, with good control of risks.

The assignment that Kommuninvest's owners have formulated for the Board of the company is expressed in an annually adopted Ownership Directive. The Directive contributes to a clear framework for how the Board should focus its work, regarding capitalisation and risk control among others.

Future capital requirements uncertain

A wave of regulation is sweeping across the financial markets and credit institutes. Regulations affect both the individual institution's business and interactions between credit market actors.

The regulations formulated for the institutes' own business appear primarily elaborated to protect the financial system against the risks associated with large, complex banking operations. It is evident that players with a more specialised business and a lower risk profile may be incorporated into a capital requirement system designed for completely different risk scenarios than those they encounter.

Uncertainty remains as to whether Kommuninvest's capitalisation will need to be substantially higher in the future. Plans to introduce a so-called leverage ratio in Europe from 2018, setting a minimum level of equity in relation to the balance sheet total, remain firm but uncertain as to the level.

Like a number of referral bodies, Kommuninvest advocates a leverage ratio differentiated according to risk. Within the EU, a leverage ratio for low-risk institutes capped at 50 percent of the level required for a normal institute has been discussed. For Kommuninvest, this would entail a leverage ratio of 1.5 percent.

The Board believes that Kommuninvest could reasonably attain such a level via the capitalisation model adopted by the owners and introduced in 2012 regarding profits for 2011. The model,



Ellen Bramness Arvidsson, Deputy Chairman

described in more detail on pages 16-17, entails profits generated by the company being distributed to the members of the Society following a decision by the Annual General Meeting of the Society. The benefit is that we can thus continue to strengthen the adjusted capitalisation, which has more than doubled in three years while lending volumes have risen by 60 percent.

A leverage ratio of 3 percent, which was initially proposed, means that the Society's members would probably have to take a position vis-à-vis a considerable strengthening of capital.

It is reassuring in this context that Kommuninvest enjoys strong support from its members. This was apparent when all members chose to participate in the Society's issue of a SEK 1 billion subordinated loan in 2010 to strengthen the company's capital base. Our surveys also show that support for Kommuninvest is growing.

Growth normalises

The regulations that guide developments in other parts of the capital markets are also being reformulated and players are adjusting their focus. At Kommuninvest, we can see that the competitive situation is changing. The local government sector is increasing its proprietary funding activities, partly as an effect of banks reducing lending via their own balance sheets. Against this background, it is likely that a more normal level of growth awaits for Kommuninvest.

It is important for Kommuninvest to continue offering its customers the most advantageous financing. The need to capitalise operations through higher lending margins, in accordance with the decision by the owners, means, however, that pricing will continue to be impacted by a component for capital reinforcement, which constitutes a not inconsiderable part of the margin supplement.

This underscores the importance for Kommuninvest to maintain high cost efficiency. The need to continuously calibrate pricing with regard to the company's capitalisation target and competitive situation means that Kommuninvest's lending margins vary over time. In turn, this affects unrealised market value fluctuations and the IFRS-adjusted result. Since Kommuninvest intends to hold financial assets and liabilities to maturity, these values will not be realised.

Focus on risk control

We, the Board of Kommuninvest i Sverige AB, approach our assignment with the greatest respect for the fact that we are handling risks of varying scope, character and dignity. The growing operations give rise to operational and organisational risks, the changing regulatory environment generates uncertainty regarding the design of new regulatory systems and when these will enter into force. Trends in different parts of the global economy affect risks in borrowing but also local government finances and thus the risk considerations associated with the company's lending. Monitoring and controlling these areas are core tasks of the Board.

Consequently, we invest considerable resources to secure the company's business and risk processes. Among other things, the assessment of individual counterparty risks have been raised to the Board level. This is a natural development. In the emerging new financial regulations, greater responsibility for risks is being assigned to the Board and we take this most seriously.

Diversified borrowing gives stability

Kommuninvest's Swedish Benchmark Programme is now into its third year and has contributed to establishing a new market for local government securities in Sweden with an estimated outstanding volume of about SEK 150 billion at the start of 2013. This shows that investors are seeking alternatives to traditional asset classes such as government and mortgage bonds.

We are determined to continue building up the Programme in accordance with our plan, so that borrowing in Sweden will, in the long term, account for about half of Kommuninvest's funding volume. Nurturing the liquidity of the Programme is key.

At the same time, it is important to maintain focus on diversified funding. For a long time, we have funded ourselves in Japan, and we have established a Kangaroo/Kauri funding programme in Australia/New Zealand. In 2012, we entered the US domestic investment market. The position among our key target investor groups has been strengthened.

Strong position

In an investment climate where high-quality issuers meet high demand, Kommuninvest, backed by the Swedish local government sector, enjoys good opportunities to continue its successful development. A stable Kommuninvest contributes not only to the financial stability of the local government sector but also to the stability of the entire Swedish economy.

From the Board, we can report that the company continued its process of change in 2012, with dependency on key individuals decreasing and the organisation becoming better adapted to meet new requirements and expectations. In the long term, this is a prerequisite for Kommuninvest if it is to fulfil its assignment to provide stable and cost-efficient financing with the greatest possible benefit for customers.

Kommuninvest i Sverige AB

Ellen Bramness Arvidsson
Deputy Chairman

Financial cooperation – a sustainable concept

26 years after its inception, the notion of local government cooperation to secure more cost-efficient and stable financing encompasses nearly 90 percent of Sweden's municipalities and county councils. In 2012, Kommuninvest acquired additional members and customers and strengthened its position among international investors.

The global economic situation is challenging, with weakened demand or recession in a number of major economies. In many countries, central government finances need to be balanced through tax increases and/or cuts in public consumption. In addition, a major credit contraction takes place as the global banking system adjusts to new financial regulations. We should expect an extended period of subpar growth as the global economy is detoxed from its credit dependency.

Naturally an open and export-oriented nation like Sweden is affected. The weaker labour market from the second half of 2012 is a clear signal. From experience, we know that this will eventually impact local government authorities' revenues, as the tax base decreases when unemployment rises. The number of authorities operating with a deficit has already risen.

However, the sector is equipped to cope with the challenges that wait. Most local government authorities are still showing a surplus and debt remains at relatively low levels.

New local government financing landscape

Swedish municipalities and county councils continued to enjoy good access to loan financing on attractive terms during 2012. However, the conditions have changed markedly. In particular, the banks' interest in lending to local government is decreasing, as reflected in increasingly higher prices for financing. This trend shift has been ongoing for a number of years and is most likely to be sustained, being an effect of new financial regulations. For many local government authorities, there are now, in practice, two sources of financing available: borrowing through Kommuninvest or proprietary borrowing on the capital market.

Stable development in line with strategy

For Kommuninvest, 2012 was a year marked by continued membership growth, increased lending and stable results. We are particularly pleased with our increasingly strong position on the in-



Tomas Werngren, President and CEO

ternational funding market – Kommuninvest is today considered to be one of the foremost issuers in its category.

During the year, the Kommuninvest Cooperative Society gained seven new members, including the City of Gothenburg and the Municipality of Södertälje, which are among Sweden's largest local government borrowers. This has contributed to increased interest in membership among larger local government authorities.

In 2012 too, Kommuninvest's lending grew strongly. The lending volume brokered by Kommuninvest has risen by more than 15 percent annually since 2000. This demonstrates that the cooperation concept meets a major need.

Kommuninvest's owner directive requires a raised level of results with the purpose of increasing capitalisation to a level corresponding to expected future regulatory requirements. Increased lending volumes and the raised margin level of recent years contributed to a substantial improvement in net interest income. However, margin adjustments during the year resulted in a relatively strong impact from changes in market value in accordance with IFRS. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. Operating profit excluding the effect of unrealised market value changes exceeded SEK 500 million.

Our costs are affected by the trend in the balance sheet total and changed regulatory systems: in 2012, costs rose by 4 percent, primarily as a consequence of increased costs for the stability

fee. However, the cost level in relation to the balance sheet total is decreasing and was, for the 2012 full year, lower than Kommuninvest's long-term target. Operational efficiency is a key success factor.

Costs have been affected by the introduction of a new business system, an extensive project that has involved many Kommuninvest employees. The system will make a valuable contribution in the on-going efforts to enhance the quality and efficiency of our processes.

Strengthened presence in international debt markets

In recent years, Kommuninvest's funding volumes have reached the critical mass required to maintain liquid borrowing programmes and to become a frequent issuer in national and international debt markets. Our Swedish Benchmark Programme, launched at the end of 2010, has established a new asset class in the Swedish fixed income market. The programme is developing well, although further work is needed to broaden the investor base.

During 2012, we increased the issuing frequency of so-called global benchmark bonds and concluded three transactions, compared with once a year previously. One effect is steadily improving prices and increased interest among investors – the issue in April, for example, had the greatest participation to date by central banks and public institutions. The October issue, in which domestic US institutional investors could participate for the first time, was one of the largest transactions to date by a Nordic public institution. Establishing a presence in all major debt markets has been one of our priorities for a long time and it is satisfying that this objective has now been achieved.

Increased local government debt in the wake of welfare investments

Demographic changes and ageing infrastructure and premises impose demands on extensive new and reinvestment in local government welfare, contributing to higher nominal debt in the local government sector. According to Kommuninvest's calculations, debt continued to rise in 2012, albeit at a slower pace than in 2011. Naturally, it is important to monitor this, even though most local government authorities are careful to maintain good order in their finances. One must accept that a balance sheet has its limitations.

The rising debt is primarily concentrated to

communities and regions with a growing population. Investments are focused on basic local government services such as housing, schools, roads, healthcare and municipal transport. This shows that there is support for increasing funding costs and that the borrowed funds are being used for necessary investments.

In addition, indebtedness is relatively low. The local government sector has kept within the interval of 11-13 percent of GDP ever since 2000.

Higher costs for the stability fee

Today, Kommuninvest is the Swedish local government sector's largest lender and accounts for some 45 percent of its total external borrowings. Consequently, we play a central role in municipalities and county councils' financial stability and have a major influence over the local government sector's loan financing costs.

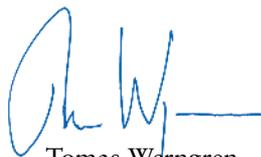
For several years now we have awaited a proposal for a risk-differentiated stability fee, as was envisaged when the fee was originally introduced in 2009. Judging by the interim report issued by the Financial Crisis Committee in January 2013, this may still be some way off. This is unfortunate. In 2012, the stability fee accounted for 40 percent of Kommuninvest's total administration costs, which the local government sector must pay for through higher borrowing costs.

The fact that the current design of the stability fee does not take into account the risks in the credit institutes' operations burdens Kommuninvest, Swedish municipalities and county councils and the welfare sector disproportionately.

Thanks to my colleagues

Our operations are highly dependent on competent and motivated employees who live up to Kommuninvest's values in their day-to-day work and who contribute to the further development of the business. As I now reflect over the past year, I again feel a sense of pride and satisfaction in being surrounded by so many committed individuals. Thank you for your hard work!

Örebro, February 2013



Tomas Werngren
President and CEO

Board of Directors' report

Local government loan financing

Kommuninvest is active as a provider of credit in the Swedish local government credit market. At the end of 2012, this market is estimated to amount to about SEK 430 (413) billion¹, equivalent to the total external borrowing of Swedish municipalities and county councils.

During the period 2002-2012, the local government sector's total external borrowing increased nominally by slightly more than SEK 120 billion. The increase was primarily due to an increasing pace of investment by local government authorities and municipal companies. Investments encompass many of the areas for which local government authorities are responsible, with an emphasis on infrastructure, housing and energy supply. In relation to GDP, however, debt levels have remained stable. At the end of 2012, the local government authorities' borrowing is estimated at 12² percent of Sweden's GDP, compared with 12 percent in 2002.

The municipalities and county councils apply three principal forms of borrowing:

- borrowing via Kommuninvest i Sverige AB;
- borrowing via the bank sector or other bilateral parties;
- borrowing via the money and bond markets.

The development and distribution of the borrowing between the different forms of financing is shown in diagram 5. The shift in the choice of borrowing type continued in 2012. This entailed a continued increase in borrowing via Kommuninvest as well as

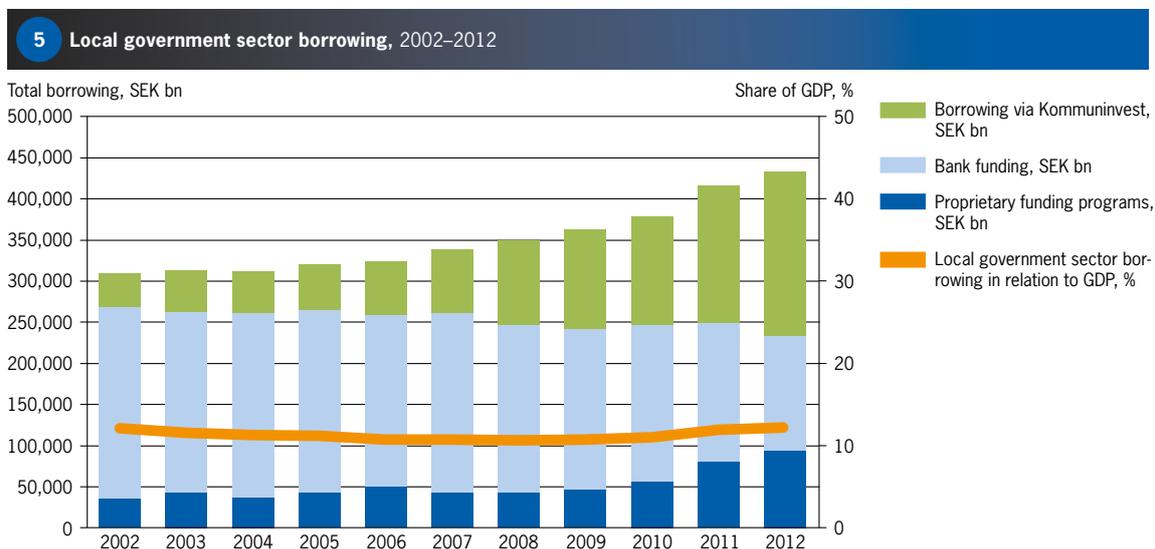
through proprietary capital market programmes, while, at the same time, the local government authorities' borrowing via the bank sector decreased.

Kommuninvest's position

The portion of the local government sector's borrowing that is conducted via Kommuninvest has increased substantially since 2000. The primary reason is the large number of new members of the Kommuninvest Cooperative Society, which has given an increasing number of local government authorities and municipal companies access to credit from Kommuninvest i Sverige AB. At the same time, the competitiveness of the banks has gradually weakened in the wake of new financial regulations, primarily benefiting Kommuninvest but also borrowing via the capital market, which is mainly an alternative for the larger local government borrowers. Based on Kommuninvest's assessment of the local government borrowing market in 2012, Kommuninvest accounted for 46 (40) percent at the end of the year. Borrowing via the bank sector accounted for 32 (41) percent and direct borrowing via the capital market through the authorities' own bond and commercial paper programmes accounted for 22 (19) percent.

Comparative earnings figures relate to the same period last year (1 Jan. – 31 Dec. 2011) unless otherwise indicated. Comparative balance sheet and risk related figures relate to 31 Dec. 2011 unless otherwise indicated.

¹ At the time of publication of the annual report, the complete data for 2012, the municipalities and county councils' annual reports, were not yet available.
² Source: Kommuninvest's calculations.



Lending

At the end of 2012, Kommuninvest's lending amounted to 201.0 (168.1) billion. The increase is explained by generally increased borrowing in the local government sector, by Kommuninvest accounting for an increasingly larger proportion of its customers' financing and by the number of members of the Kommuninvest Cooperative Society having increased. At year-end, Kommuninvest i Sverige AB had 728 (686) customers.

Membership growth

During 2012, the Kommuninvest Cooperative Society gained seven new members: the municipalities of Enköping, Åmål, Värnamo, Södertälje and Skövde, and the cities of Gothenburg and Sundbyberg. The Cooperative Society thus had 274 members, of which 266 were municipalities and 8 were county councils. 92 percent of Sweden's municipalities and 40 percent of its county councils were members. The residents of the member authorities accounted for 73 (65) percent of Sweden's population.

Lending in 2012

At the end of the year, Kommuninvest's lending amounted to SEK 201.0 (168.1) billion. In nominal terms, lending was SEK 197.9 (165.7) billion, an increase of 19 (25) percent compared with the preceding year. All lending is provided to municipalities and county councils that are members of the Kommuninvest Cooperative Society and, on the provision of guarantees, to companies

6 New members in 2012



Enköping Municipality
Nr 268



Åmål Municipality
Nr 269



Värnamo Municipality
Nr 270



Södertälje Municipality
Nr 271



City of Gothenburg
Nr 272

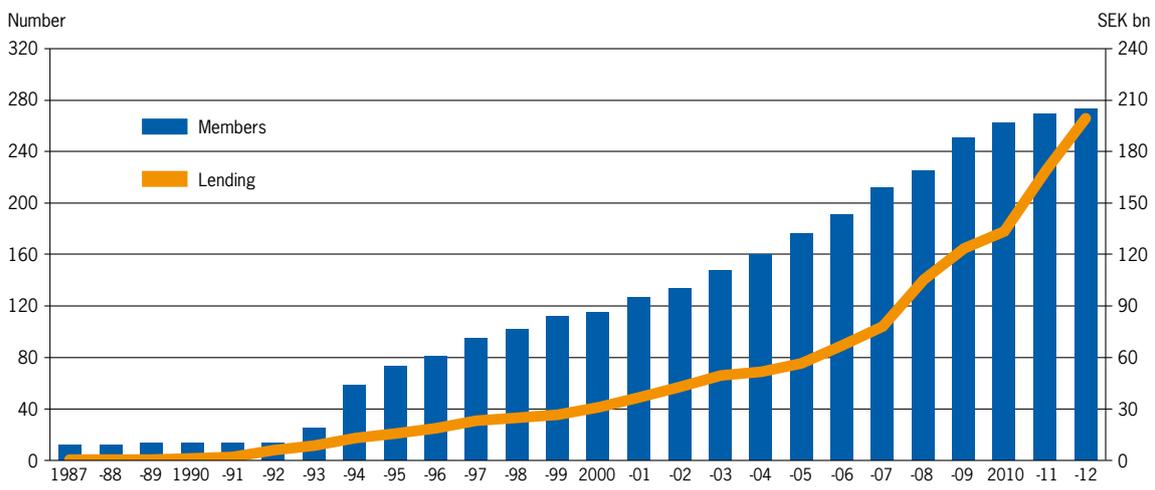


Skövde Municipality
Nr 273



City of Sundbyberg
Nr 274

7 Number of members and lending, 1987–2012



in which members are majority shareholders, as well as municipal foundations and associations. Of the total lending, municipalities and county councils accounted for 45 (44) percent and municipal companies for 55 (56) percent. Municipal housing companies accounted for 31 (32) percent of the total lending. The increase in Kommuninvest's lending volumes is explained by generally increased borrowing in the local government sector, by Kommuninvest accounting for an increasingly large proportion of its customers' financing and by the number of members of the Kommuninvest Cooperative Society having increased. These explanations are also valid in relation to Kommuninvest's lending growth over the past decade. In relation to GDP, the debt levels of the local government sector have remained stable, see page 10.

Market situation

The banks' lending to the local government sector has steadily decreased in recent years. Among the foremost causes are the new financial regulations – Basel III – that are gradually being introduced between 2013 and 2018. The new regulations require banks and other financial institutions to retain more capital than previously and that this be of a higher quality, while new increased requirements on liquidity are also imposed. All in all, it is becoming more difficult for the banks to offer competitive financing solutions to local government authorities, which generally have a higher level of creditworthiness than the banks themselves. Instead of lending money directly to the local government authorities, the banks seek to arrange financing for them on the capital market, which represents an alternative form of financing,

mainly for the larger local government borrowers. During the economic crisis of recent years, demand has increased among investors for local government credit as an asset category, but that demand is driven by the market's appetite for risk and access to liquidity may be subject to disruption. Kommuninvest's lending to the local government sector is increasing faster than the sector's own borrowing via the money and bond markets.

Kommuninvest's lending products

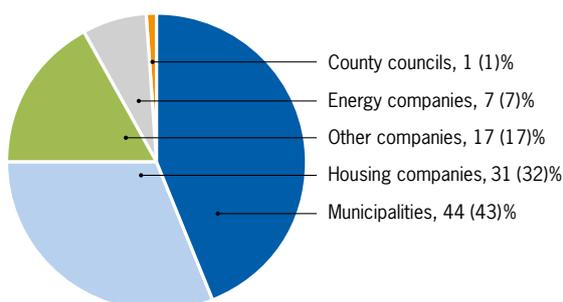
Kommuninvest offers loan products designed to meet customers' needs – with capital being bound up for shorter or longer periods, at fixed or variable interest and with or without early termination provisions.

The year's contracted lending, that is new loans and renewals of existing loans, consisted of 58 (63) percent loans with capital tied up for more than a year and 42 (37) percent loans with capital tied up for less than a year. Loans with capital tied up for one to three years accounted for 30 (21) percent of the total volume. At the end of the year, the average period for which capital was tied up in Kommuninvest's lending portfolio was 1.9 (1.8) years. The distribution of lending by loan product is illustrated in the graph below.

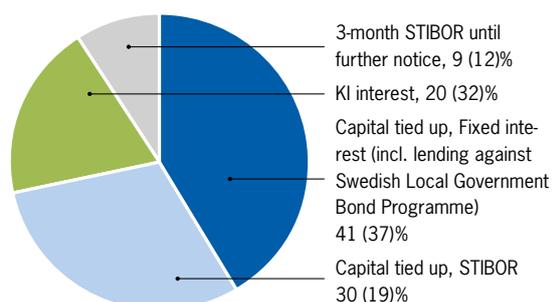
Debt management and other services

For Kommuninvest, being able to assist with effective financial administration among its customers demands more than just competitive loans. For this reason, web-based analysis tools and models for effective financial administration are also offered.

8 Lending per borrower category, 2012-12-31



9 Lending by loan product, 2012-12-31



Funding

Favourable demand for low-risk issuers made it possible for Kommuninvest to continue its funding activities on favourable terms in 2012. At the end of the year, total borrowing amounted to SEK 262.9 (222.2) billion.

Kommuninvest's lending is financed by means of short-term and long-term borrowing programmes on national and international capital markets. The funding strategy is based on diversified sources of finance as regards markets, currencies, products and investors. Diversified funding enhances stability. All borrowing is swapped into SEK, EUR or USD.

Kommuninvest issues securities on international borrowing markets in the category "Sovereigns, Supranationals and Agencies". Borrowers with whom Kommuninvest compares itself include the European Investment Bank, KfW (Germany), Kommunalbanken (Norway), Kommunekredit (Denmark), Municipal Finance (Finland), Nederlandse Waterschapsbank (Netherlands), the Nordic Investment Bank, NIB, and Rentenbank (Germany).

Funding in 2012

At the end of the year, Kommuninvest's borrowing totalled SEK 262.9 (222.2) billion.

Over the year, SEK 123.1 (85.4) billion was borrowed in long-term debt instruments with maturities of more than one year. Borrowing is undertaken to replace existing loans as they reach maturity, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to the current market view and the size of the lending portfolio.

At 31 December 2012, the average maturity

in Kommuninvest's outstanding borrowing was 5.5 (6.2) years, on the condition that cancellable loans are maintained to maturity. If the earliest possible termination is applied in the calculation, the average maturity was 3.7 (4.5) years.

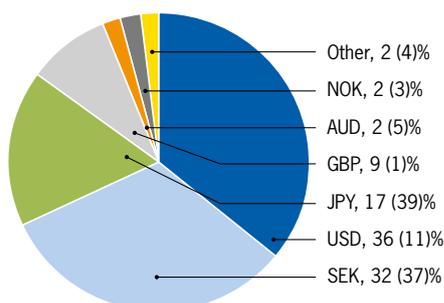
Market situation

Demand for Kommuninvest's issues was favourable throughout 2012. One explanation is that Kommuninvest belongs to the shrinking group of issuers with the highest possible credit rating – Aaa/AAA – from Moody's and Standard & Poor's respectively – and a stable ratings outlook. Among other aspects, the credit ratings are based on the joint and several guarantee undertaking by the members of the Kommuninvest Cooperative Society, the risk management, the market position and the quality of Kommuninvest's assets.

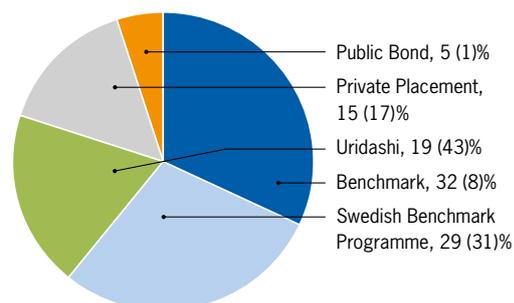
Kommuninvest actively seeks to increase its funding in large bond programmes, so-called benchmark programmes, both internationally and in Sweden. Within the framework of Kommuninvest's EMTN programme, three major benchmark borrowings were carried out during the year. All were well received by the investor community and enjoyed a high level of participation by central banks and public institutions. In the year's final benchmark transaction, domestic institutional investors in the US were, for the first time, offered the opportunity to buy Kommuninvest's bonds as the loan documentation had been adapted to US regulations.

A total of SEK 36.1 (26.3) billion was issued in the Swedish Benchmark Programme with SEK 53.1 (26.8) billion outstanding at the end of the year.

10 Borrowing during the year, by currency, 2012
(excluding commercial paper borrowing)



11 Borrowing during the year, by programme, 2012
(excluding commercial paper borrowing)



Liquidity management

At the end of the year, Kommuninvest's liquidity reserve amounted to SEK 71.1 (52.1) billion, corresponding to 35 (31) percent of lending. As a consequence of the uncertainty in the financial markets, the year's management was characterised by a raised level of reserves and a focus on government securities with short remaining maturities.

To ensure that Kommuninvest's customers have access to liquidity even in periods of uncertainty in the financial markets, the Board of Directors of Kommuninvest i Sverige AB has resolved that the company shall have a liquidity reserve amounting to between 20 and 40 percent of the total lending volume. A large proportion of the reserve should qualify as collateral at the Riksbank (Swedish central bank), meaning that Kommuninvest can acquire liquidity at the Riksbank upon providing collateral.

Investment rules for the liquidity reserve

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. Investments shall primarily be made in securities issued by sovereign states or nationally guaranteed financial institutions. Maturities may not exceed 5.5 years. For further information, see the Risk management section on page 20 or Kommuninvest's website.

RIX membership strengthens liquidity preparedness

Kommuninvest's membership of the Riksbank's RIX payment system strengthens its access to liquidity in the event of unease in the financial markets, since this provides the opportunity to participate in the Riksbank's money market activities and access to intraday and overnight credit facilities.

Liquidity reserve in 2012

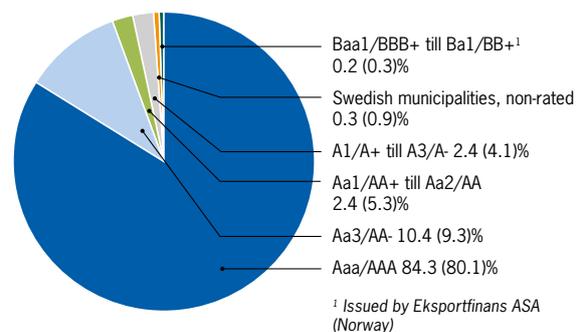
Management of the reserve was pervaded by particular caution, primarily as a consequence of the on-going European debt crisis. This entailed a shift towards investments in securities with short remaining maturities issued by states with the highest creditworthiness.

At the end of 2012, 31 (41) percent of the liquidity reserve was invested in securities issued by sovereign states or state-related entities with the highest possible creditworthiness; 36 (22) percent of the reserve was invested in securities with less than four months remaining maturity. 75 (63)

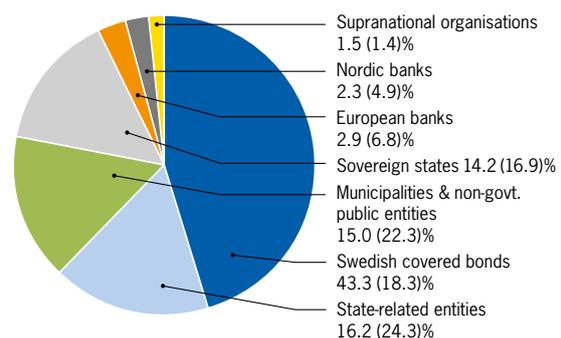
consisted of investments in securities issued by issuers in Sweden and Germany. 82 (84) percent of the reserve, excluding securities received as collateral, qualified for repo with central banks.

At the end of the year, Kommuninvest had no direct exposure to Greece, Ireland, Italy, Portugal or Spain. During the year, Kommuninvest divested two investments of USD 80 million and EUR 50 million, placed with the Instituto de Crédito Oficial, a bank guaranteed by the Spanish state. See note 3 for additional information about Kommuninvest's credit risk exposure.

12 Liquidity reserve distributed by rating category, 2012-12-31



13 Liquidity reserve distributed by issuer category, 2012-12-31



Results

Kommuninvest's operating profit for 2012 was SEK 249.1 (396.1) million. Net interest income increased by 35 percent to SEK 771.7 (572.6) million.

Kommuninvest's operating profit, that is profit before taxes and appropriations, amounted to SEK 249.1 (396.1) million. Operating profit includes unrealised changes in market value of a negative SEK 260.9 (13.2) million.

Operating profit excluding the effect of unrealised market value changes was SEK 510.0 (382.9) million. Profit after appropriations and taxes amounted to SEK 320.6 (300.6) million.

Total operating income decreased by 21 percent to SEK 500.7 (636.2) million. Operating income includes net interest revenues, commission expenses, net result of financial transactions and other operating income. Income included SEK 4.6 (0) million in compensation for legal fees in connection with a dispute.

Net interest income increased to SEK 771.7 (572.6) million. The increase was primarily attributable to increased lending, but also to loans being renewed at new, higher margins in accordance with the owners' intentions.

The net result of financial transactions amounted to a negative SEK 267.1 (72.1) million and consists primarily of unrealised changes in market value for the year of a negative SEK 260.9 (13.2) million. These were primarily attributable to the increase in the margin between borrowing and lending. An increase in the margin used in market-based valuations means a higher discount rate used to determine fair value in lending, leading to a lower fair value on loans. The difference reflects the actual revenue streams from the existing loan portfolio until maturity less the revenue streams that would have been obtained with the new, higher margin.

In connection with sales of financial instruments, Kommuninvest charged SEK 24.4 (credit 0.2) million in losses from other comprehensive income against profit/loss for the period. The profit from buybacks of Kommuninvest's bonds amounted to SEK 24.1 (55.8) million.

Expenses amounted to SEK 251.7 (240.1) million, including the stability fee of SEK 101.3 (83.6) million. The increase in the stability fee, which is calculated based on the balance sheet total, is attributable to the continued growth in lending. The stability fee accounted for 40 (35) percent of Kommuninvest's total expenses.

Excluding the stability fee, expenses amounted to SEK 150.4 (156.5) million, of which personnel expenses accounted for SEK 72.8 (66.9) million and other expenses for SEK 77.6 (89.6) million. The increase in personnel expenses is attributable to the workforce having grown. The reduction in other expenses is primarily attributable to lower consultancy and IT expenses.

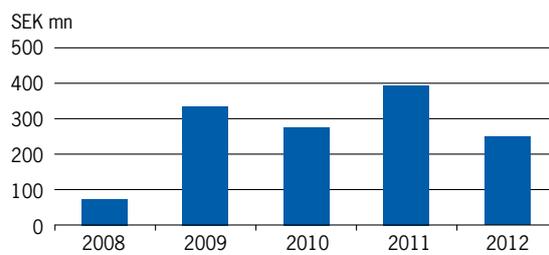
Tax

The tax expense for the year recognised in the income statement amounts to SEK 132.5 (109.4) million and consists in part of deferred tax of SEK -56.2 (revenue) (+3.5) million. The effect of the group contribution is a reduction in taxable earnings, which, in 2012, amounted to SEK 0 (0.1) million. See also note 11.

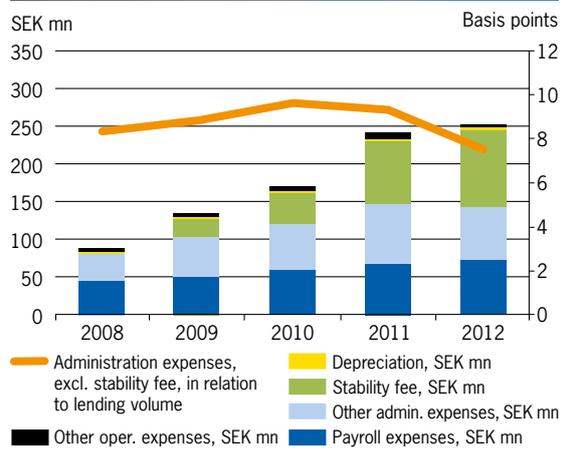
Credit losses

Credit losses totalled SEK 0 (0) million.

14 Operating profit before appropriations and tax



15 Distribution of costs



Equity and Financial position, other

At the end of 2012, equity in Kommuninvest amounted to SEK 952.7 (714.4) million, following group contributions of SEK 717.7 (382.6) million¹ to the Kommuninvest Cooperative Society.

The change in equity in Kommuninvest in 2012 was, in addition to the group contributions, attributable to the profit/loss for the year of SEK 320.6 million and an increase in share capital SEK 316.0 million. Of the increase in share capital, SEK 276 (0) million involved capital contributions from existing members of the Kommuninvest Cooperative Society, SEK 40.0 (3.9) million in capital contributions from new members of the Society and SEK 20.0 (0) million in a new share issue in progress.

Equity was also affected by changes in the market values of assets classified as “available-for-sale financial assets”.

Distribution of surplus

In accordance with the owners’ directives from the Kommuninvest Cooperative Society, capital in Kommuninvest i Sverige AB is being built up by means of profit build-up. To make the company’s results visible for its ultimate owners, that is the members of the Society, the Society began applying distribution of surpluses as of the 2011 financial year.

Surpluses are distributed through group contributions from Kommuninvest to the Society, which, following deductions to cover the Society’s costs are further distributed to the members of the Society as refunds based on business volumes and interest on capital contributions. The Annual General Meeting of the Society determines whether or not surplus distribution shall be undertaken. The distribution of surpluses is not associated with any conditions for members, or with any repayment liability or liability to pay new capital contributions.

The 2012 Annual General Meeting of the Society approved the payment of SEK 276 (0) million in surplus distribution.

Reinforcement of share capital

The Annual General Meeting of the Society also determines whether members are to pay new capital contributions. Capital contributions paid to the Society benefit Kommuninvest as new share capital by means of a directed issue. The 2012 Annual General Meeting of the Society resolved that SEK 276 (0) million in capital contributions be paid in. All members chose to participate.

Distribution of surplus in 2013

Pending a decision by the 2013 Annual General Meeting of the Society, the Society will also apply refunds and interest on contributions for the distribution of surpluses for the 2012 financial year. For this purpose, Kommuninvest has in the annual accounts for 2012 made group contributions amounting to SEK 717.7 (402.6) million, equivalent to the taxable earnings before group contributions. If a decision on payment of new capital contributions is taken, the Board deems it likely that all members will participate.

This entails a certain delay before the profits of Kommuninvest for 2012 appear in the capital base. Payments of surplus distributions, payments in of capital contributions to the Society and of capital injections to the Company are expected to take place within three months of a decision by the Annual General Meeting of the Society. The estimated but not yet approved capital injection relating to the results for 2012 amounts to SEK 768 million. This consists of group contributions of SEK 717.7 million and accrued earnings in the Society.

Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Derivatives with positive and negative market value amounted to SEK 11.1 (13.7) billion and SEK 17.5 (9.4) billion, respectively. The level of provided collateral is outlined in note 3.

Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Kommuninvest Cooperative Society, amounting to SEK 1,000.3 (1,000.2) million at the end of the year.

Capital adequacy

The capital adequacy quota amounted to 3.80 (5.71). The statutory minimum level is 1.0. The capital adequacy ratio amounted to 30.4 (45.7) percent.

Kommuninvest has established an internal capital adequacy quota which includes additional scope for risk as a buffer for risks not accounted for in Pillars 1 and 2. The quota is not permitted to fall below this level without the approval of the Board of Directors. For more information on capital adequacy, see Note 29.

¹ Total group contributions in 2011, including group contributions of SEK 20 million to Kommuninvest Fastighets AB, amounted to SEK 402.6 million.

16 Capitalisation model

Bonuses

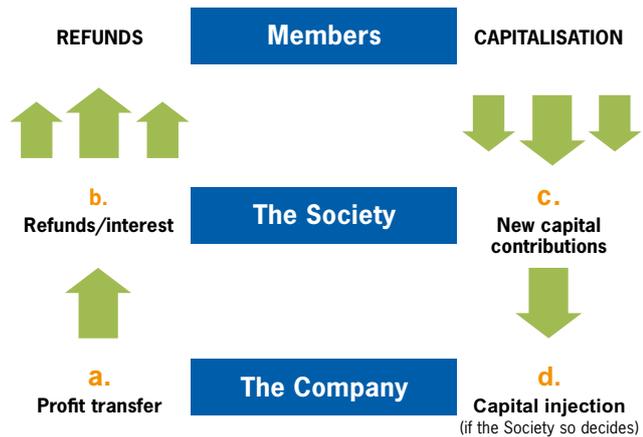
a. Profits built up within Kommuninvest i Sverige AB are transferred to the Kommuninvest Cooperative Society as Group contributions. These Group contributions contribute to equity in Kommuninvest i Sverige AB decreasing at the end of the year.

b. Pending the approval of the Annual General Meeting (AGM) of the Society, the Group contributions received by the Society are used to pay refunds and interest on capital contributions to the members of the Society. The goal is for payment to be effectuated as quickly as possible after the decision by the AGM.

Capitalisation

c. Decisions regarding payment of new capital contributions are made by the AGM of the Society. Such contributions are to be paid one month after the decision has been made or at the later point determined by the AGM and are to be paid in cash.

d. Capital contributions can remain within the Society or can be used to strengthen the capital base of Kommuninvest i Sverige AB.



Key dates 2012

18 April 2012: Annual General Meeting, Kommuninvest Cooperative Society. Decision regarding SEK 276 million in refunds and interest to members. Decision that members should contribute SEK 276 million in new capital contributions.

30 June 2012: Members have paid in SEK 250 million in capital contributions. SEK 250 million recorded as new share capital (new share issue in progress) in Kommuninvest i Sverige AB.

13 July 2012: Members have paid in a further SEK 26 million in capital contributions. A further SEK 26 million recorded as new share capital in Kommuninvest i Sverige AB.

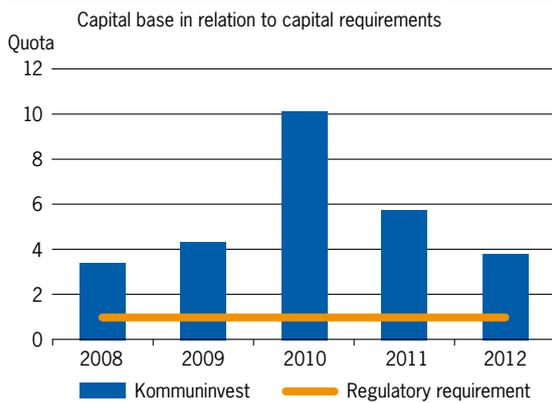
31 December 2012: Equity in Kommuninvest i Sverige AB is reduced by SEK 717.7 million regarding Group contributions to the Kommuninvest Cooperative Society to enable refunds and interest in 2013 and payment of new capital contributions (conditional on the decision by the AGM of the Society in April 2013).

Key figures

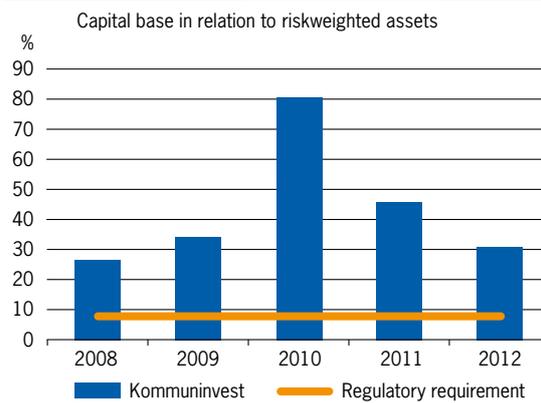
	31 Dec. 2008	30 Jun. 2009	31 Dec. 2009	30 Jun. 2010	31 Dec 2010	30 Jun. 2011	31 Dec. 2011	30 Jun. 2012	31 Dec 2012
Equity, SEK million	460.7	411.3	690.2	757.9	782.8	902.9	714.4	1307.6	952.7
Capital base in relation to balance sheet total, %	0.34%	0.31%	0.40%	0.47%	0.99%	0.94%	0.81%	0.83%	0.61%
Adjusted capital base in relation to balance sheet total, % ¹	0.34%	0.31%	0.40%	0.47%	0.99%	0.94%	0.95%	0.83%	0.95%
Capital adequacy quota	3.35	3.12	4.24	5.81	10.09	5.72	5.71/6.72 ¹	5.40/5.92 ¹	3.80/5.88 ¹
Requirement	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Capital adequacy ratio, %	26.8%	25.0	33.9%	46.5	80.7%	45.8%	45.7%/53.7% ¹	43.2%/47.4% ¹	30.4%/47.0% ¹
Requirement	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

¹ The capital base adjusted for estimated but not yet approved capital injection relating to the results for 2012, see page 16.

17 Capital adequacy quota



18 Capital adequacy ratio



Organisation and employees

The requirements imposed on Kommuninvest as an organisation are increasing in pace with the rising volumes in its operations. To provide the conditions for the fulfilment of its assignment, the organisation was extended by six new employees in 2012 to a total of 65 (59) employees. The average number of employees during the year was 62 (58).

Kommuninvest is a highly specialised finance organisation that operates both in the Swedish local government sector and in global financial markets. This imposes particular demands on employees' competence, values and corporate culture.

Kommuninvest's success rests on its committed employees, good leadership and values that are fully integrated into its day-to-day operations. Being an attractive workplace with a strong brand as an employer is important. Among other measures, this is followed up by means of a satisfied employee index.

The employees of Kommuninvest are expected to assume an independent responsibility for their own development, as well as for their part of the operations. All employees are to have an annual dialogue with their managers to set individual targets and to formulate a development plan in accordance with Kommuninvest's objectives and competence needs. With the purpose of increasing employees' knowledge and competence, both employees and managers are offered different forms of tailored development and training. In addition to compulsory training programmes required for everyone within the company, Kommuninvest also offers shorter or longer specialist and leadership courses for a number of employees.

19 Employee statistics

	2012	2011	2010
Total number of employees,	65	59	53
of whom women	29	24	23
of whom men	36	35	30
Staff turnover, %	14.5	5.4	4.0
Sick leave, %	1.5	1.2	1.1
Average age	42	42	42

Most of Kommuninvest's employees, 95 (95) percent, have a university education. At the end of the year, the average age was 42 (42), with a range between 21 (20) and 63 (67) years. Absence due to illness for the year was 1.5 percent (1.2).

For principals and processes for remuneration and benefits to the management, see page 26 and Note 8.

Code of conduct

Kommuninvest is an organisation guided by established values. Kommuninvest's Code of conduct provides guidance on how employees should act in day-to-day operations in accordance with Kommuninvest's core values: completeness, participation, clarity and quality. The Code of conduct, summarises what Kommuninvest's employees and stakeholders can expect of Kommuninvest. It is a responsibility and requirement of all employees that they adhere to the code, current legislation, regulations and other policies that guide operations. Kommuninvest's managers are required to engender an ethical climate in line with the code and to encourage adherence to the code.

Kommuninvest in society

As the leading provider of credit to Swedish municipalities and county councils, Kommuninvest plays an active role in the building of society. Kommuninvest finances the development of the local and regional sectors, as well as investments in a sound and sustainable society.

Sustainability and the environment

Through its business operations, Kommuninvest is indirectly able to contribute to a decreased burden on the environment and increased sustainability, since many local government investments contribute specifically to this. With regard to its own impact, Kommuninvest is working on improvements in the areas of energy consumption, business travel and waste, and expects all employees to participate in this to the greatest extent possible. This work is conducted within the framework of an adopted environmental policy. Kommuninvest does not conduct any operations requiring a licence under Sweden's Environmental Code. Kommuninvest encourages fair trade and other social and environmental initiatives by selecting such options where reasonable. In connection with procurement, bid requests include requirements that suppliers meet ethical, environmental and other corresponding requirements.

Research and development

In 2012, Kommuninvest deepened its long-term collaboration with the University of Örebro by funding a chair in financing at the University's School of Economics. A cooperation council has been established to guide and deepen the cooperation between the partners at both the undergraduate and postgraduate levels. Representatives of Kommuninvest sit on the School of Economics' Advisory Board and in the Council of the Law Faculty. Over the year, Kommuninvest's personnel met students by holding lectures at the university, supervising student papers and hosting student field trips.

Local collaboration

Kommuninvest represents all of its members on equal terms, with one exception: the company is located in the County of Örebro, which thus serves as its principal recruitment base. Consequently, local collaboration and strengthening Kommuninvest's brand as an employer is particularly important in the local community there. Kommuninvest focuses on collaboration with organisations involved in sports, culture and community issues.

Other

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. Moody's and Standard & Poor's confirmed Kommuninvest's Aaa/AAA rating during 2012, with a stable outlook.

Fulfilment of targets

With the purpose of supporting the long-term focus of the business, Kommuninvest's efforts are aligned against strategic targets for growth, stability and efficiency. The target for growth is that lending is 70 percent of the local government sector's external borrowing by the close of 2017. At the end of the year, the share was estimated at 46 (40) percent. The target for stability is that the capital base should sustainably amount to at least 1.5 percent of the balance sheet total by the close of 2017. At the end of the year, this was 0.61 percent (0.81). If refunds had been paid and capital contributions made as per 31 December 2012, in accordance with the description in the Equity and Financial position, other section above, the capital base would have amounted to 0.95 (0.95) percent of the balance sheet total.

The target for efficiency is that administration costs for operations should sustainably amount to no more than 0.08 percent of the lending volume by the close of 2017. In 2012, the operations' administration costs, excluding the stability fee, amounted to 0.08 (0.09) percent.

Five-year review

See pages 58–59.

Acquisition of Kommuninvest Fastighets AB

On 1 January 2012, Kommuninvest i Sverige AB acquired all shares in Kommuninvest Fastighets AB from the Kommuninvest Cooperative Society. This means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the parent company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which Kommuninvest i Sverige AB conducts its operations. For further information, see Consolidated accounts page 38.

Member responsibilities

In 2011, Kommuninvest i Sverige AB and the

Kommuninvest Cooperative Society developed two clarifying agreements, which, in addition to the fundamental joint and several guarantee undertaking, clarify the members' responsibilities. Effective from the 2011 financial year, the distribution of responsibilities is communicated to each member in a statement of undertaking. How this statement of undertaking has been calculated on the basis of the company's balance sheet and each member's holding is detailed in Note 3.

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 markets, including interest rate development and the liquidity situation, along with the willingness to invest on various markets, may affect the competitive situation and Kommuninvest. If Kommuninvest is unable to recruit and retain qualified employees, this may restrict Kommuninvest's competitiveness and opportunities for development.

Outlook for 2013

The reformed regulatory system within the financial sector, with increasing demands in terms of capital and liquidity, is expected to continue to result in raised price levels for bank loans to Swedish local government authorities and thus to increased demand for loans from Kommuninvest among both existing and potential customers. Investor demand for securities issued by low-risk institutions means that interest in Kommuninvest among investors is expected to continue to increase. In 2013, Kommuninvest is expected to continue to experience stable growth in lending as a consequence of additional members joining the Kommuninvest Cooperative Society and of Kommuninvest continuing to increase its share of existing members' borrowing. A challenge for Kommuninvest is to achieve its equity target of at least 1.5 percent in relation to the balance sheet total by the close of 2017, while increasing lending volumes and taking into account the regulatory discussions regarding the introduction of a so-called leverage ratio, with a possible ratio requirement of 3 percent. High lending margins may lead to reduced demand from Kommuninvest's customers.

Risk management

Kommuninvest's risk management is designed to meet the owners' requirement that the level of risk in the operations be kept as low as possible. Among other things, this means that the terms for borrowing and lending shall be equivalent from the risk perspective. Kommuninvest is owned by Swedish municipalities and county councils and is indirectly covered by Chapter 2, Section 7 of the Local Government Act prohibiting speculative and risky operations.

Introduction

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

- Lending is provided exclusively to Swedish municipalities, municipal corporations, county councils or borrowers guaranteed by local government authorities and loans therefore carry a zero risk weighting in a capital adequacy perspective.
- The members of Kommuninvest's owner, the Kommuninvest Cooperative Society, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- Kommuninvest conducts no deposit or active trading operations.
- Kommuninvest has a favourable capital situation. At the end of 2012, the capital adequacy quota amounted to 3.80 (5.71) compared with the official requirement of 1.0. At the end of 2012, the capital adequacy ratio amounted to 30.4 (45.7) percent.

Risk organisation and responsibility

The Board of Directors sets risk policy and risk limits. The President is responsible for the limits not being exceeded and has delegated responsibility to the business functions within Kommuninvest, that is, the Funding and Treasury department and the Lending department, to apply lower limits pertaining to their respective areas. In its internal control, Kommuninvest applies the principles of a first, second and third line of defence (see page 32 for more information).

The Risk and Analysis department, Kommuninvest's function for risk control, is responsible for continuously checking and implementing on-going follow-up and analysis of financial risks and reports daily to the President and monthly to the Board of Directors. Risk and

Analysis is also responsible for the company's internal capital assessment, including its processes, and for assessing the evaluation methods that are applied. Reports are provided to the Board of Directors and, where necessary, Risk and Analysis proposes changes.

Risk and Analysis has nine employees and is headed by the Chief Risk Officer, who reports to the President and is a member of the Executive Management Team. In addition to the responsibilities mentioned above, the department is also responsible for risk reporting being correct in accordance with current external and internal rules; regularly performing stress tests to ensure that the company's business models are appropriate and secure; compliance/adherence to regulations and leading and coordinating efforts related to operational risks.

The Credit Group functions as a preparatory body in the assessment of new counterparties, new financial instruments and other credit issues requiring decisions by the President. The company's Asset Liability Committee (ALCO) is responsible for preparing matters concerning market risk and liquidity that require a decision by the Board of Directors or the President. The diagram on the next page illustrates the Company's risk management in relation to the credit risks in its lending operations.

Credit and counterparty risk

Credit and counterparty risk represent the risk of incurring losses due to customers or counterparties failing to meet their obligations within the agreed time. Credit and counterparty risk is divided into three categories:

- Risks from lending
- Risks from management of the liquidity reserve
- Risks from value changes on derivative contracts

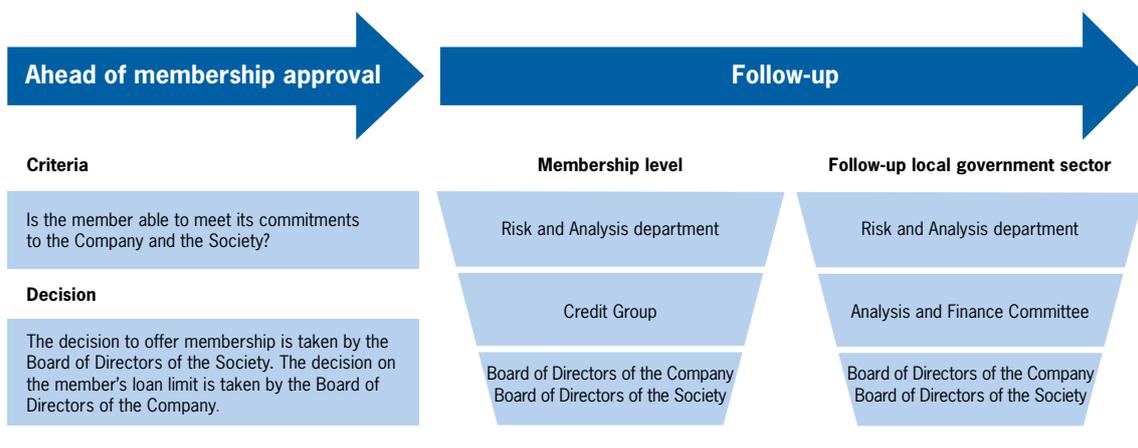
On 31 December 2012, 74 (76) percent of Kommuninvest's credit risk exposure, net, was towards Swedish municipalities and county councils in the form of loans; 26 (23) percent of the exposure was towards states and other issuers of securities in the form of investments; and 0 (1) percent of the exposure was towards derivatives counterparties.

The total credit risk exposure, gross, is detailed in Note 3.

Risks from lending

Kommuninvest's products are only available to

20 Risk management – Lending



members of the Kommuninvest Cooperative Society and local government owned companies, foundations or inter-authority associations on the condition that the owner/s is/are a member/s of the Kommuninvest Cooperative Society and signs an absolute guarantee for all of the credit recipient's undertakings towards Kommuninvest.

The risks associated with Kommuninvest's lending operations are low. The ten largest borrowers accounted for 23 (24) percent of lending in 2012, while their total population accounted for 13 (14) percent of the total population of all members of the Kommuninvest Cooperative Society. Kommuninvest has never suffered a credit loss in its lending operations.

The municipalities/county councils and the companies they own are analysed when processing membership applications and on an on-going basis during their membership. Municipalities are always assessed from a group perspective, using a key performance indicator model as a point of departure. The analysis includes the income statement, balance sheet, demographics and risks in municipal operations. Once a quantitative analysis has been made, it is, if necessary, followed by a qualitative analysis. This scrutinises and analyses the local government corporation and its financial conditions in more detail.

Risks from management of the liquidity reserve

In accordance with the instructions of the Board of Directors, Kommuninvest maintains a considerable liquidity reserve, described in greater detail under

Liquidity management on page 14. Credit risk associated with the management of the liquidity reserve consist of issuer risk, credit risk, counterparty risk and settlement risk. The risks are mitigated by:

- Investments primarily being made in securities issued by sovereign states or financial institutions backed by a sovereign guarantee.
- Investments being permitted to have a risk weighting of at most 20 percent in terms of capital adequacy.
- Investments only being permitted to be made in counterparties with a credit rating of at least A2 from Moody's and/or A from Standard & Poor's.
- Investments being required have a maximum maturity of 5.5 years.
- The Kingdom of Sweden (the Swedish state) is approved as counterparty without further decisions being required. For counterparties outside Sweden, a limit is applied on a per-country basis.

Risks from value changes on derivative contracts

To limit the market risks that arise when contractual borrowing and lending terms do not match, Kommuninvest uses risk management instruments in the form of derivative contracts. Counterparties are financial institutions with a credit rating of at least A3 (Moody's) or A- (Standard & Poor's). The counterparty's credit rating is also decisive in what Kommuninvest can accept when it comes to the contracts' maturity period, structure and permitted risk exposure. If there is no

CSA agreement (see below) with a counterparty the credit rating for new contracts must be at least A2/A. In case the rating is below Aa3/AA-, Kommuninvest may only enter interest and currency swap agreements with that counterparty. For counterparties where there is a CSA agreement, the credit rating for new contracts must be at least A3/A-.

Kommuninvest's exposures through derivative contracts are shown in Note 3. In terms of nominal amounts, 34 (30) percent of derivative contracts are with counterparties with minimum credit ratings of AA from one of the recognised ratings institutions. On 31 December 2012 Kommuninvest had collateral from counterparties corresponding to SEK 2.5 (4.3) billion.

Continuous analysis and review

Each municipality or county council is screened before being approved as a member of Kommuninvest Cooperative Society. At least twice annually, Risk and Analysis shall inform Kommuninvest's Board of Directors of the members' development. Each year, the Board of Directors establishes lending limits for members. In addition to a board limit, individual members also have a level of control based on an internal assessment model, which enables earlier insight.

Financial 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 financial counterparty's ability to fulfil its obligations if market conditions change. At least twice annually, Risk and Analysis shall inform Kommuninvest's Board of Directors of the financial counterparties' development.

Assessment of counterparty situation in 2012

Kommuninvest cooperates with its sister organisations in Denmark and Finland and exchanges information on counterparty and credit-related risks within the framework of what is permitted by confidentiality. In 2012, the signs became increasingly clear that the challenges facing the bank sector are increasing. At the same time, lowered credit ratings have reduced the number of issuers available for the management of the liquidity reserve. Consequently, Swedish covered bonds and Swedish government bonds remain dominant.

Membership of ISDA

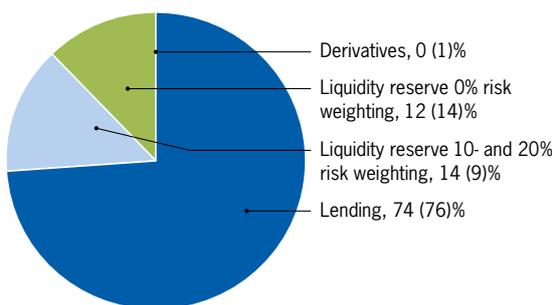
Kommuninvest is a member of the International Swaps and Derivatives Association (ISDA), and before entering derivative contracts it stipulates the right to early redemption of such contracts if the counterparty's credit rating deteriorates below a pre-determined level.

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 to the contract counterparty. ISDA agreements are to be established with all derivatives counterparties. Kommuninvest is also a member of the International Capital Markets Association (ICMA), which, among other things, has developed the standard master agreement for repo transactions.

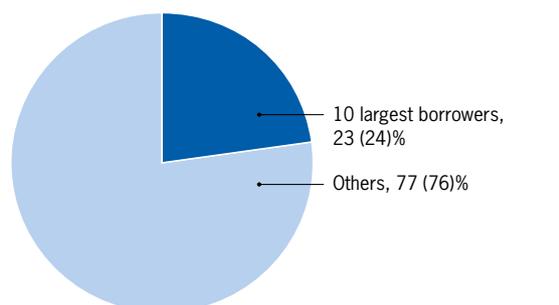
CSA agreements

To limit the risks and exposure arising because of value changes to derivatives, Kommuninvest enters credit support annexes (CSAs) with derivatives counterparties, in addition to ISDA agreements. These give Kommuninvest the right, under certain conditions, to require collateral but also

21 Credit risk exposure, Dec 31 2012



22 Credit concentration - distribution of lending, Dec 31 2012



an obligation to provide collateral under certain other conditions.

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 creditworthiness of any of the counterparties deteriorates. Kommuninvest accepts collateral only in the form of government securities, which have zero risk-weighting from a capital adequacy perspective. Collateral agreements are intended to mitigate the credit and counterparty risk associated with receivables.

Liquidity risk

Liquidity risk can be described as a lack of financing, which in itself involves a risk concerning the organisation's opportunities to meet its payment undertakings. Liquidity risk is also the risk of far higher costs for borrowing required funds or of loss when assets cannot be sold at a reasonable price.

In 2012, the liquidity situation was favourable. Over the year, the Company used both short and long-term borrowing. Kommuninvest maintained its presence on the Swedish market over the course of the year through several new issues in the Swedish Benchmark Programme. In addition, several major benchmark loans were raised in USD. This borrowing has financed most of the company's growth in lending during 2012.

Liquidity management

The company's liquidity risk management is pervaded by a highly restrictive attitude towards liquidity risk. The Company has well diversified borrowing and utilises several different capital

markets. This ensures that borrowing generates the prerequisites for meeting new lending, refinancing and maturities even under worsening market conditions.

Kommuninvest further limits liquidity risk by maintaining favourable matching between the maturities of the Company's assets and liabilities. Nor may the lending volume, for any maturities, exceed the borrowing volume by an amount that is greater than the company's equity.

In order to meet liquidity needs even during periods when financing opportunities on the capital markets are limited or too costly, the Board of Directors has decided on a liquidity reserve of at least 20 percent, but no more than 40 percent, of total lending volume. The liquidity reserve is invested in securities that are liquid and that largely qualify as collateral with central banks.

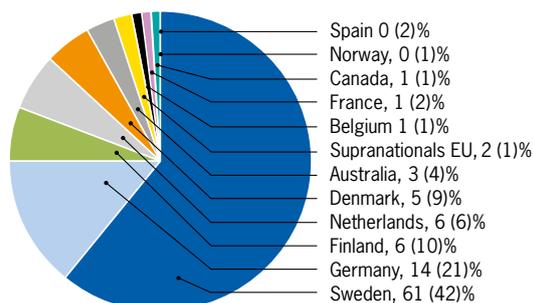
Liquidity risks are monitored and analysed continuously to ensure that excessive liquidity outflows do not arise. The Company also reviews liquidity by continuously calculating a "survival period". This denotes the period during which the Company can manage without access to new financing. During the year, Kommuninvest conducted stress tests on both the short and long-term liquidity to assess the size and composition of the liquidity reserve. In addition, the results form the basis for any revision of the company's strategies, guidelines and positions.

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.

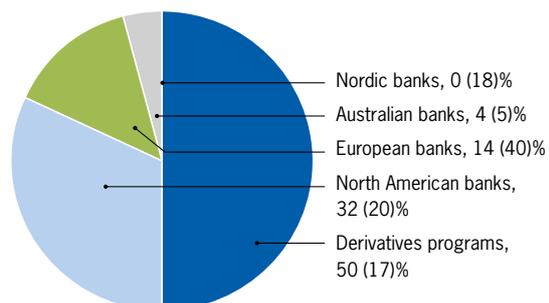
New liquidity regulations

The Basel Committee has developed two new

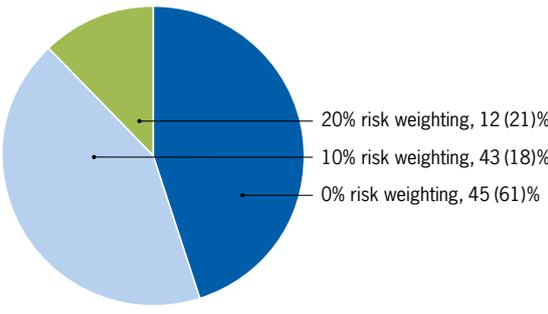
23 Liquidity reserve distributed by country, Dec 31 2012



24 Derivative receivables distributed by counterparty group, Dec 31 2012



25 Liquidity reserve distributed by risk weighting, Dec 31, 2012



quantitative measures of liquidity, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR ensures that the liquid assets are sufficient in size to cope with a substantial disruption in liquidity in the market. NSFR limits the use of short-term financing by requiring that the institute's stable financing be greater than the need.

Given these regulatory changes, the Company has developed its liquidity management. The LCR regulation is in force as of 1 January 2013, and Kommuninvest reports LCR to the supervi-

sory authority since before that. LCR is calculated by dividing the company's highly liquid assets by net cash outflows for 30 days in a stressed scenario. For Kommuninvest's part, LCR has, by a good margin, exceeded the upcoming regulatory requirement of 1 throughout 2012. This also applies to the currencies EUR and USD.

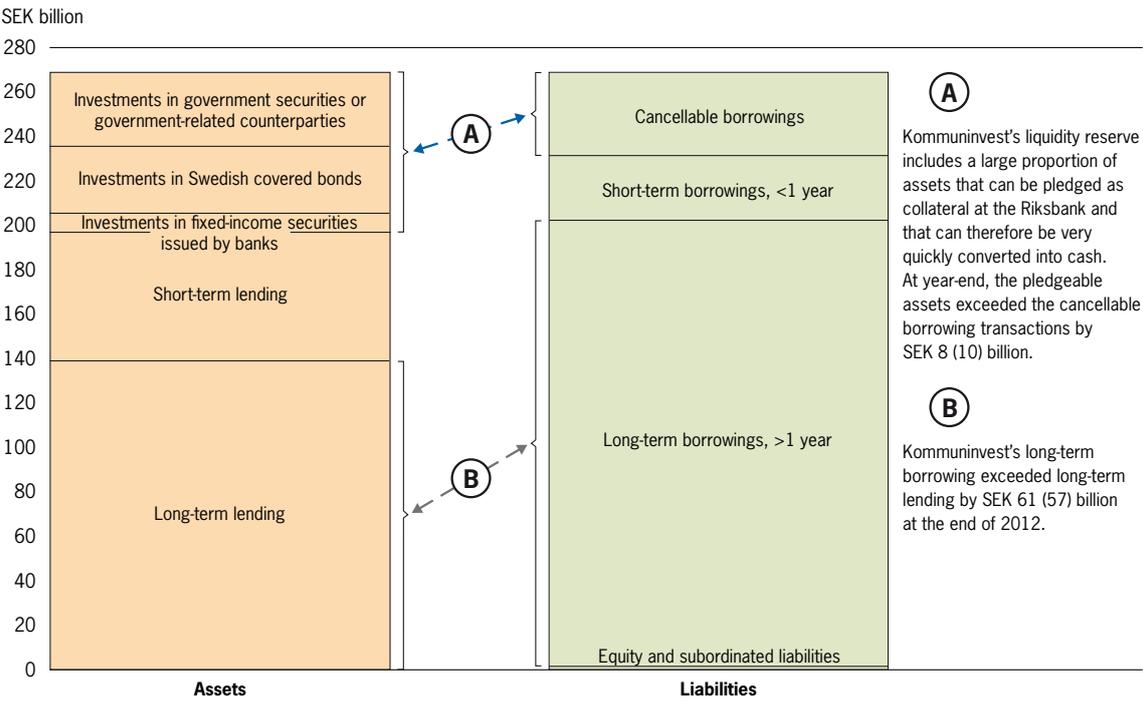
No guidelines have yet been set for the other liquidity regulation, NSFR. Over the year, Kommuninvest reported NSFR to the authorities responsible according to the proposed guidelines. At the time of reporting, the company had an NSFR that met the proposed future legal requirement.

Market risk

Market risk is the risk of losses as a consequence of changes in market rates and other market factors affecting market value. The main market risks to which Kommuninvest is exposed are interest rate risk, credit market risk, basis swap risk and currency risk. Interest rate risk and currency risk are explained below.

Interest rate risk limited at portfolio level
Interest rate risk arises through mismatches in

26 Kommuninvest balance sheet structure



fixed interest periods between loaned or invested assets and the related funding. Due to the scope of the operation, comprehensive matching between the company's assets and liabilities is not always possible for each individual position, instead interest-rate risk is also limited at portfolio level. This can be done by matching two assets – one with daily fixed interest and the other with six months' fixed interest – with a debt that has three months' fixed interest.

According to the limit set by the Board of Directors, the risk (exposure) in the portfolio may never exceed SEK 10 million in a one (1) percentage point parallel shift in the yield curve. However, there is an opportunity to have an exposure of at most SEK 15 million over a period of at most three days. A positive exposure would mean that the Company makes a profit if interest rates rise and a loss if interest rates fall. A negative exposure it would mean that the Company makes a loss if interest rates rise and a profit if interest rates fall. On 31 December 2012 the risk in the entire portfolio was a negative SEK -2.7 (-9.1) million in a one (1) percentage point parallel shift.

Foreign exchange limits currency risk

Currency risk arises if assets and liabilities denominated in a specific foreign currency in the balance sheet are mismatched in terms of size. Kommuninvest hedges all known future flows by means of derivatives. However, currency risk arises on an on-going basis through the net interest income generated on returns on foreign currency investments. This risk is limited by continuously converting such returns into SEK. Kommuninvest's currency exposure is detailed in Note 3. At a 10 percent change in exchange rates, this exposure entails SEK 1.2 (0.3) million in currency risk.

Other market risks are eliminated through the use of derivatives

As part of its borrowing activities, Kommuninvest issues structured borrowing products, the return on which is determined by the price trend for an underlying instrument, such as individual shares, share indices, commodities or commodity indices. The issue of a structured debt product may incur a price risk associated with the underlying instrument included in the structured product. All price risks of this kind are eliminated through agreements with swap counterparties.

Operational risks

Operational risk is the risk of losses as a result of unsuitable or non-functioning internal procedures or systems or due to human error or external events, including legal risks. Legal risk entails 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:

- Utilisation of internal instructions, process descriptions and steering documents at every unit level.
- The duality principle – no single individual may ever manage an entire transaction alone. There are usually at least three functions 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 to 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 perceives and assumes responsibility for the risks in his/her specific area, and that each skill and skill area is respected.
- Compliance follows up on adherence to regulations and provides advice on adjustments to new and amended regulations.
- The internal audit reviews and follows up the management of risks, as well as internal governance and control.

Governance and control

Corporate Governance Report for Kommuninvest i Sverige AB

Kommuninvest i Sverige AB ("Kommuninvest") is a Swedish public limited liability company and a wholly-owned subsidiary of the Kommuninvest Cooperative Society. Kommuninvest's shares are not listed in a regulated marketplace and Kommuninvest is not bound by the Swedish Code of Corporate Governance. The specific nature of Kommuninvest's business is deemed to be such that neither the Code, nor the principles of corporate governance for companies owned by municipalities and county councils, prepared by the local government sector, should be applied voluntarily.

Together with the Kommuninvest Cooperative Society and Kommuninvest Fastighets AB, Kommuninvest i Sverige AB forms a financial group of companies, ("the Kommuninvest Group"). Because Kommuninvest offers publicly listed debt instruments, the company is required by the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) to prepare a Corporate Governance Report. Good governance and control are crucial to Kommuninvest as a publicly owned company with a role of considerable responsibility.

Principles of corporate governance

Kommuninvest is owned by Swedish municipalities and county councils via the Kommuninvest Cooperative Society. The Kommuninvest Cooperative Society, is a cooperative venture between Swedish municipalities and county councils, with the principal purpose of providing members and their majority-owned companies access to cost-efficient and stable loan financing.

According to its Articles of Association, the Society shall not be operated with the purpose of generating profit. Once consolidation needs have been

satisfied, all surpluses shall accrue to the members. The members themselves determine the focus of the operations and no individual member has any decisive influence in isolation. At the Annual General Meeting, each member has one vote.

Presented below are some of the principles that affect internal corporate governance. Beyond these, the Board of Directors of Kommuninvest has established principles, stances, limits and target figures in a number of steering documents and instructions.

Owner directives

The Board of Directors of the Kommuninvest Cooperative Society develops directives for Kommuninvest and these are set annually at the Annual General Meeting of the Society. The owner directives set out the framework of the operations assigned to the Board of Directors of Kommuninvest by the Society. The owner directives primarily include guidelines regarding risk levels, remuneration principles, principles for business travel and representation and for any special assignments set for the Company by the Society. The owner directives are set annually by the Annual General Meeting of Kommuninvest.

Targets for operations

Kommuninvest's overarching objective is to generate the greatest possible benefit for the members of the Kommuninvest Cooperative Society. Among other measures, this shall be achieved by maintaining a high proportion of satisfied customers, accounting for a large proportion of members' loan financing, maintaining a high level of cost efficiency and having the financial strength to support the long-term focus of the operations.

Remuneration principles

The Board of Directors sets the remuneration principles applicable within Kommuninvest. Remunerations shall engender conditions to attract, retain and motivate employees so that operations can be conducted in an optimal manner. The basic principle is that remunerations and other terms of employment should be in line with the market, without leading the market, and should consist solely of fixed wages. No variable remunerations are paid. Wages are set taking into consideration the tasks involved and their degree of difficulty, responsibilities, educational requirements and how the employee fulfils the demands imposed and contributes to improvements in operations.

Shareholders and Annual General Meeting

Kommuninvest's sole shareholder is the Kommuninvest Cooperative Society. On 31 Decem-

Additional information on Kommuninvest's corporate governance

The following information can be accessed via Kommuninvest's website www.kommuninvest.org

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

ber 2012, the share capital in Kommuninvest amounted to SEK 608.4 (292.4) million, divided among 6,083,850 (2,923,850) shares. New share issue in progress, amounted to SEK 20.0 (0.0) million on 31 December 2012, divided among 200,000 (0) shares. Each new member of the Kommuninvest Cooperative Society contributes participation capital to the Cooperative Society based on number of residents; this capital then benefits Kommuninvest, which issues new shares to the Cooperative Society.

Resolutions by the 2012 Annual General Meeting

The Annual General Meeting of Kommuninvest considers and decides 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 until the end of the next Annual General Meeting and, where applicable, appointment of the auditors and remuneration for the Board and auditors. The Annual General Meeting of the Company is held in direct connection with the Annual General Meeting of the Society. The 2012 Annual General Meeting was held in Stockholm on 18 April 2012 and adopted resolutions including the following:

- Discharge from liability for the members of the Board of Directors and the President regarding their administration of the Company in 2011.
- Amendments to the Articles of Association.
- Authorisation for the Board of Directors of the Company to implement new share issues during the financial year. The authorisation is limited by the upper limit for the company's share capital stated in Kommuninvest's Articles of Association at SEK 800 million and of which SEK 296 million was utilised in 2012.

Election Committee of the companies owned by the Society 2012/2013

Ann-Charlotte Stenkil (M), Municipality of Varberg, Chairman

Alf Egnerfors (S), Municipality of Eskilstuna, Deputy Chairman

Ewa-May Karlsson (C), Municipality of Vindeln

Margreth Johnsson (S), Municipality of Trollhättan

Further information on the Election Committees, including its complete formal work plan, is available at www.kommuninvest.org

- Re-election of Board members Björn Börjesson, Ellen Bramness Arvidsson, Lorentz Andersson, Kurt Eliasson, Anna von Knorring, Catharina Lagerstam, Anna Sandborgh and Johan Törngren.

Election Committee

There is an election committee for the Society's companies, Kommuninvest, Kommuninvest Fastighets AB and Administrative Solutions NL-GFA AB. The Election Committee bears the ultimate responsibility for the preparation of appointment decisions through a structured and transparent process allowing the shareholder to give its views on proposals and to submit its own proposals regarding appointments and associated issues, thereby establishing favourable conditions for well-founded decisions. The Election Committee of the companies owned by the Society shall represent the Board of Directors of the Society and consists of members elected by the Board from its own membership. The Board of Directors of the Society has resolved that its working committee shall act as the Election Committee.

Board of Directors of Kommuninvest i Sverige AB

The Board of Directors of Kommuninvest deals with financing issues, credit issues (such as limits and analyses), as well as other operational issues. The Board of Directors bears the ultimate responsibility for the Company's organisation and management. The rules of procedure established by the Board of Directors stipulate areas such as the Board's remit and routines for Board meetings. The Board's remit includes setting objectives and strategies for the operations, a responsibility for identifying and managing risks, and ensuring that operations are conducted in compliance with the pre-determined objectives. The Board is also tasked with preparing internal controlling documents including a reporting policy which outlines the reports to be produced within the Company. The full Board is responsible for completing the tasks otherwise assigned to an audit committee. The rules of procedure are reviewed and adopted once a year.

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

Chairman of the Board

The Chairman of the Board is responsible for the work of the Board of Directors being well organised and efficiently conducted and for ensuring that the Board fulfils its tasks. Among other things, the Chairman is required to encourage

an open and constructive discussion among the Board, to ensure that the Board continuously updates and deepens its knowledge of the company and its operations, as well as receiving comments from the owner association and disseminating these within the Board. Furthermore, the Chairman of the Board shall check that the Board's decisions are implemented efficiently, ensure that the work of the Board is evaluated annually, and act as a discussion partner and support for the President of the company. The Chairman of the Board is responsible for ensuring that the company's remuneration policy is independently reviewed and for preparing Board decisions regarding a) remunerations to senior executives, b) remunerations to employees with overarching responsibility for any of the company's control functions, and c) measures for following the application of the company's remuneration policy.

President

The responsibilities of the President are detailed in a President's instruction established by the Board of Directors. Among other things, these cover the Company's on-going activities pursuant to the Board's guidelines, and for drawing up a proposed operations plan, budget and annual/interim accounts. The President is also responsible for adherence to regulations and for setting guidelines and instructions regarding the various risks that arise in the operations.

Work of the Board of Directors in 2012

In 2012, the Board of Directors held 8 (10) ordinary meetings, and 1 (1) inaugural meeting. Agendas and decisions have involved:

- Guarantee issues and rules for central government support
- Remunerations

- Procurement matters
- Updates of loan programmes
- IFRS matters
- Matters associated with new regulations, such as EMIR and CRR/CRD4
- Limits for investment and derivatives counterparties
- Customer survey
- Personnel policy
- Review of investment and derivatives counterparties
- Owner directives
- Policy matters
- Annual report

Board members

During 2012, the Board of Directors of Kommuninvest consisted of Björn Börjesson, Ellen Bramness Arvidsson, Lorentz Andersson, Kurt Eliasson, Anna von Knorring, Catharina Lagerstam, Anna Sandborgh and Johan Törngren. The members are presented on page 29 with the exception of Börjesson who left his assignment as Chairman on 4 December 2012.

Remunerations

Within the framework for fees to the Board of Directors set by the Annual General Meeting, the Chairman of the Board of Directors, Björn Börjesson received SEK 400 (300) thousand for 2012. The fee paid to the Deputy Chairman of the Board of Directors, Ellen Bramness Arvidsson, totalled SEK 225 (257) thousand. Fees to the other members have been paid in accordance with the table below. The total fees paid to the members of the Board of Directors elected by the Annual General Meeting are determined by the Annual General Meeting and amounted to SEK 1,505 (1,341) thousand for 2012.

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

Name	Position of dependence	Attendance Board meetings 2012	Remuneration 2012, SEK*	Remuneration 2011, SEK*
<i>Current Board of Directors</i>				
Björn Börjesson**	Independent	8 (of 9)	400,000	300,000
Ellen Bramness Arvidsson	Independent	9 (of 9)	225,000	257,000
Lorentz Andersson	Independent	9 (of 9)	155,000	137,000
Kurt Eliasson	Independent	7 (of 9)	135,000	117,000
Anna von Knorring	Independent	7 (of 9)	135,000	137,000
Catharina Lagerstam	Independent	8 (of 9)	145,000	119,000
Anna Sandborgh	Independent	9 (of 9)	155,000	137,000
Johan Törngren	Independent	9 (of 9)	155,000	137,000
Anders Pelander	Employee representative	3 (of 4)	Not remunerated	-

* Remuneration for the period 1 December 2011 to 30 November.

** Björn Börjesson left the Board of Directors and ceased to be its Chairman effective from 4 December 2012.

Board of Directors of Kommuninvest i Sverige AB

Ellen Bramness Arvidsson

Chief Economist, Insurance Sweden.

Elected: Deputy Chairman 2006–.

Member since 2003.

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

Previous positions: Ministry of Finance, under-secretary and first secretary.



Catharina Lagerstam

Independent advisor, professional Board Member.

Elected: Member since 2009.

Education: PhD, Stockholm School of Economics; Graduate Engineer, Royal Institute of Technology; Graduate Business Administrator, Stockholm School of Economics.

Previous positions: Director, Clearstream, Luxembourg; CFO Hufvudstaden AB; Valuation Manager Bankstödsnämnden.

Current assignments: Board Member Erik Penser Bankaktiebolag, Landshypotek AB, Retail Finance Europe, Deputy Chairman Franska Skolan.



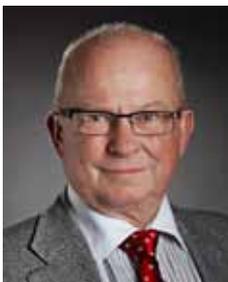
Lorentz Andersson

Elected: Member since 2001.

Education: Luleå University of Technology, Honorary Doctor of Technology, construction engineer.

Previous positions: Västerbotten County, County Governor. Chairman of the Municipal Executive Board, Municipality of Skellefteå. AB Asako and Polaris AB, President.

Current assignments: Chairman of the Board of Träcentrum Norr and Norrbotniabanan AB.



Anna Sandborgh

Chief Administrative Officer, Municipality of Karlstad; President, Karlstads Stadshus AB.

Elected: Member since 2010.

Education: Master of Laws, Uppsala University.

Previous positions: Chief Administrative Officer and research secretary, Municipal Executive Board, Municipality of Karlstad.

Current assignments: Vice Chairman, Vänerhamn AB.



Kurt Eliasson

President, SABO.

Elected: Member since 2010.

Education: IFL Executive Education, Stockholm School of Economics, Real Estate Agent Diploma.

Previous positions: CEO, Förvaltnings AB Framtiden, Board Member of Riksbyggen.

Current assignments: Chairman of the Board, Chalmers University of Technology Foundation and NBO, Nordisk Boligorganisation. Member of Fastigo, Cecodhas Housing Europe and the Swedish Government's Delegation for Sustainable Cities.



Johan Törngren

Consultant.

Elected: Member since 2009.

Education: MBA, Stockholm School of Economics.

Previous positions: Senior Vice President and Treasurer SAS Group, Vice President Group Finance SAS Group, Treasury at Svensk Exportkredit AB.

Current assignments: Chairman, SPP Fonder AB.



Anna von Knorring,

Assistant Director, State Treasury, Finland.

Elected: Member since 2004.

Education: Master of Laws, Helsinki University; MA Economics, Swedish School of Business and Economics, Helsinki.

Previous positions: Ministry of Finance and State Treasury.

Current assignments: Board Member, Nordic Capital Markets Forum. Member of the Sparbank Foundation delegation, Helsinki. Member, Market Advisory Committee, Euroclear Finland.



Anders Pelander

Employee representative

Elected: Member since 28 August 2012

Education: PhD in mathematics, Uppsala University

Position at Kommuninvest: Market risk analyst

Previous positions: University lecturer, University of Narvik



Auditors for Kommuninvest i Sverige AB

The Annual General Meeting of Kommuninvest elects external and lay auditors. According to the Articles of Association, Kommuninvest shall have one auditor. The auditor is appointed by the Annual General Meeting of the Company following a proposal by the Society's representative at the Meeting, for the period extending until the end of the ordinary Annual General Meeting held in the fourth financial year following the auditor's election. The Annual General Meeting also appoints a deputy auditor.

External auditor

At Kommuninvest's 2012 Annual General Meeting, Ernst & Young AB was appointed as the auditing company for the period extending until the end of the Annual General Meeting in 2016. Ernst & Young AB has selected authorised auditor Peter Strandh as the auditor with overall responsibility. The auditor meets the Board of Directors at least twice every year.



*Peter Strandh,
authorised public accountant,
Ernst & Young*

Peter Strandh has conducted the audit for Kommuninvest since 2007. Peter Strandh's other audit assignments include the First, Second, Third, Fourth and Seventh AP Funds, IF Skadeförsäkring (non-life insurance), Nordnet, LRF, Sala Savings Bank and Ålandsbanken.

Lay auditors

The lay auditors regularly meet the external auditor, the Chairman of the Board, the President and other representatives of the Company. Where necessary the lay auditors can initiate auditing measures additional to the normal statutory audit. The lay auditors also act as an election committee, recommending auditors and submitting proposals for their remuneration.

At the 2012 Annual General Meeting of the Kommuninvest Cooperative Society, the following lay auditors for the Company were appointed for the period extending until the end of the 2016 Annual General Meeting:

Anita Bohman (S), former Deputy Chairman of the Municipal Executive Board in the Municipality of Västervik (re-elected).

Niklas Sjöberg (M), Chairman of the Municipal Executive Board of the Municipality of Skurup (newly elected).

Executive Management Team

Executive managers of Kommuninvest i Sverige AB

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.

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 has the job of providing the Board of Directors with necessary information and decision-support data, including prior to the Board meetings, and of ensuring that the Board receives a written report each month. The rules of procedure also formalise the President's financial framework.

Executive Management Team

To support the President, there is an Executive Management Team. During the period 1 January 2012 to 30 September 2012, the Team consisted, in addition to the President, of Maria Viimne (Deputy President), Johanna Larsson (Head of Administration), Anders Gånge (Head of Funding and Treasury) and Pelle Holmertz (Head of Lending).

In connection with an organisational adjustment effective from 1 October 2012, the composition of the Team was changed. During the period 1 October 2012 to 31 December 2012, the Team consisted of Tomas Werngren (President), Maria Viimne (Deputy President), Johanna Larsson, (Chief Financial Officer), Michael Jansson (Head of Human Resources) and Britt Kerkenberg (Head of Risk and Analysis). The Team also includes the Chief Operating Officer, COO. Until the post of COO was filled, in February 2013, the Head of Funding and Treasury and the Head of Lending formed part of the Team as adjunct members.

Tomas Werngren

President and CEO

Education: University of Örebro and Stockholm University, B.Sc. Engineering, Public Administration.

Previous positions: Vice President and Finance Director at Kommuninvest and Treasurer at SBAB, and others.

Other assignments: Board member of Vasallen AB.

Born: 1961



Maria Viimne

Deputy CEO

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

Previous positions: Finance Group Director and company counsel at Kommuninvest, and others.

Born: 1970



Britt Kerkenberg

Chief Risk Officer

Education: Uppsala University, degree in business administration

Previous positions: Head of the statistics unit at the Riksbank (Swedish central bank); Head of Administration and Finance, Trevis Private Banking; Back and Middle Office Manager, Inter IKEA Treasury, and others.

Born: 1964



Michael Jansson

Head of Human Resources

Education: University of Örebro, programme in personnel and occupational issues focusing on business administration.

Previous positions: Human Resources Manager, county labour board, County of Örebro; Human Resources Manager, Kumla Correctional Facility; Economist, Örebro County Council

Born: 1961



Johanna Larsson

Chief Financial Officer

Education: Stockholm University, M.A. Economics; IFL Executive Education, Stockholm School of Economics, Diploma in Financial Analysis (AFA, CEFA).

Previous positions: Financial advisor at Kommuninvest and portfolio manager at Birka Energi, and others.

Born: 1973



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

Name	Year	Base salary	Other benefits	Variable pay	Pension costs	Total
Tomas Werngren	2012	2,707,746	78,600	-	819,650	3,605,996
	2011	2,624,452	83,496	-	754,803	3,462,751
Maria Viimne	2012	1,830,148	160	-	417,502	2,247,810
	2011	1,831,754	-	-	442,072	2,273,826
Other executive managers (3 (3) persons)	2012	4,251,352	7,699	-	966,307	5,225,358
	2011	3,388,711	903	-	608,687	3,998,302

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

The Board of Directors of Kommuninvest bears the overall responsibility for operations and for internal governance and control. The Board of Directors has adopted an internal governance and control policy and each year adopts an operations plan, as well as plans for internal governance and control.

Responsibility for maintaining an effective control environment and for on-going internal control processes is delegated to the President. This includes providing guidelines for and implementing internal governance and control and following up on adherence with policies and other guidelines in the area. The President is responsible for completed internal control work processes being reported to the Board of Directors.

Kommuninvest's process for the internal control of the financial reporting process is based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The process is based on the targets set for the operations and includes five components – risk assessment, control environment, control activities, information and communication, as well as monitoring. The process has been designed to ensure the appropriate and efficient organisation and management of operations, reliable financial reporting and strong capacity for adherence to legislation, regulations, internal rules, as well as generally accepted principles and good standards.

Risk assessment is based on the Company's understanding and use of the concept of risk and a combination of likelihood and consequence. Certain risks, such as financial risks, are assessed based on mathematical models, while others, such as the risk of fire or power outage, are assessed based on models. Clear management, competent staff and efficient operational organization are required to manage the risks. To this end, a policy for internal governance and control has been established, along with a number of other steering documents.

Each manager bears full responsibility for the internal governance and control of the operations that he/she oversees. This responsibility requires the existence of suitable instructions and procedures for operations and that adherence to

these procedures is followed-up on a regular basis. Consequently, the responsibility for internal control and adherence to regulations is an integrated part of management responsibility.

All others within the organisation are also responsible for their portion of the internal governance and control system by producing information or, for example, by carrying out checks in various work flows.

In addition to each manager's responsibilities for analysing developments within his/her domain, the Accounting Group is responsible for financial planning and follow-up, handling annual and interim accounts, reporting and managing. The Back Office Group is responsible for managing the Company's payment flows. To support the handling of annual/interim accounts, the amounts entered into the accounts are continuously reconciled and checked, and analyses are made of the income statements and balance sheets. Valuation issues are determined by the Company's ALCO-group (Asset Liability Committee) and subsequently handled by the Risk & Analysis Department together with the Accounting Group to ensure fair application of accounting regulations.

The Company's Intranet is used to disseminate policies, instructions and other important information to all personnel, regarding financial management and information, among other matters.

Within the Company, checks and controls are conducted according to three lines of defence. The first line of defence is located within the business operations, where responsibility is allocated for measuring, checking and managing this risks on a daily basis by means of efficient control procedures. The second line of defence is separated from the business operations and is located primarily within the Risk and Analysis department, which checks, monitors and ensures the introduction of efficient risk management processes throughout the organisation. The second line of defence also includes back office, compliance and reporting. The third line of defence is the internal audit unit, which, in a risk-based manner, reports to the Board and Management on how the company assesses and manages its risks. This includes the procedures of the first and second lines of defence.

Risk control

Kommuninvest's risk control function, Risk and Analysis, exercises group-wide risk control and monitors the Group's risks, principally credit risks, market risks, liquidity risks and operational risks. A more detailed description of its organisation and work is given on page 20. The function is separated from business operations. The manager of the Risk and Analysis department is appointed by the President who reports the appointment to the Board of Directors. The Board of Directors receives regular updates on risk control issues.

Compliance

Kommuninvest's compliance function (regulatory adherence) is a control and support function that is independent in relation to the business operations. It is also separated from Kommuninvest's function for commercial law, which is often involved in ongoing business operations. The compliance function shall work proactively for good adherence to regulations and promote compliance by means of advice and follow-up in all areas of compliance, thereby also supporting business operations and management. Tasks include risk management, monitoring, reporting, developing internal rules, training and contacts with supervisory authorities. The compliance function is also responsible for checking that policies and instructions meet rigorous demands on effective governance.

However, compliance with regulations is the responsibility of everyone within Kommuninvest. The establishment of a central compliance function does not exempt any employee from his/her responsibility to adhere to the internal and external rules applicable to operations. It is the duty of the head of the compliance function to assist the Board of Directors and the President on compliance issues and to coordinate the administration of such issues. The manager of the compliance function is appointed by the President and reports to the Board of Directors at least every year. Based on analyses of the Group's compliance risks, the President sets an annual compliance plan, which is reported to the Board of Directors.

Internal audit

The internal audit is an independent and impar-

tial safeguard and an advisory unit tasked with adding value and improving the organisation's operations.

Kommuninvest's internal audit is an independent review function that reports directly to the Board of Directors. The internal audit is responsible for evaluating risk management, control and governance processes within Kommuninvest and for ensuring that operations are conducted in accordance with the intentions of the Board of Directors and the President. The internal audit reports to the Board of Directors, the President and the Group's external auditors on an on-going basis. Each year, the Board of Directors establishes a plan for the work of the internal audit. The President reports to the Board on measures implemented as a consequence of the internal audit unit's reports.

Income statement

1 January - 31 December

SEK, million	Note	2012	2011
Interest revenues		6,046.2	5,401.6
Interest expenses		-5,274.5	-4,829.0
NET INTEREST INCOME	4	771.7	572.6
Commission expenses	5	-8.5	-8.6
Net result of financial transactions	6	-267.1	72.1
Other operating income	7	4.6	0.1
TOTAL OPERATING INCOME		500.7	636.2
General administration expenses	8	-244.0	-230.0
Depreciation of tangible fixed assets	18	-2.7	-2.5
Other operating expenses	9	-5.0	-7.6
TOTAL EXPENSES		-251.7	-240.1
OPERATING PROFIT		249.1	396.1
Appropriations	10	204.0	13.9
Tax on net income for the year	11	-132.5	-109.4
INCOME FOR THE YEAR		320.6	300.6

Statement of comprehensive income

1 January - 31 December

SEK, million	Note	2012	2011
INCOME FOR THE YEAR		320.6	300.6
Other comprehensive income			
Available-for-sale financial assets		125.3	-99.0
Available-for-sale financial assets, transferred to income for the year		24.4	-0.2
Loans and receivables		-1.2	-4.2
Tax attributable to items in other comprehensive income	11	-37.9	27.2
OTHER COMPREHENSIVE INCOME FOR THE YEAR		110.6	-76.2
COMPREHENSIVE INCOME FOR THE YEAR		431.2	224.4

Balance sheet

As per 31 December

SEK, million	Note	2012	2011
ASSETS			
Cash		0.0	0.0
State bonds eligible as collateral	12	11,160.8	10,841.7
Lending to credit institutions	3	15,618.6	1,734.5
Lending	13	200,950.7	168,070.5
Bonds and other interest-bearing securities	14	44,293.7	39,518.7
Shares and participations	15	1.7	1.3
Shares and participations in associated companies	16	0.5	0.5
Shares and participations in subsidiaries	17	32.0	-
Derivatives	3	11,057.4	13,687.2
Tangible assets	18	5.6	6.7
Current tax assets	11	79.0	79.0
Other assets	19	14.1	30.9
Deferred tax assets	11	56.8	38.4
Prepaid expenses and accrued revenue		12.7	19.0
TOTAL ASSETS		283,283.6	234,028.4
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities to credit institutions	3	5,610.4	4,149.4
Securities issued	3	257,257.3	218,037.4
Derivatives	3	17,517.2	9,354.5
Other liabilities	20	818.4	455.4
Accrued expenses and prepaid revenues	21	125.2	111.5
Provisions	22	2.1	1.6
Subordinated liabilities	23	1,000.3	1,000.2
Total liabilities and provisions		282,330.9	233,110.0
Untaxed reserves	24	-	204.0
Equity		952.7	714.4
Restricted equity			
Share capital (6,083,850 shares and 2,923,850 shares respectively, quoted value SEK 100)		608.4	292.4
New share issue in progress (200,000 shares and 0 shares respectively, quoted value SEK 100)		20.0	-
Statutory reserve		17.5	17.5
Unrestricted equity			
Fair value reserve		23.0	-87.6
Profit brought forward		-36.8	191.5
Income for the year		320.6	300.6
Total equity		952.7	714.4
TOTAL LIABILITIES, PROVISIONS AND EQUITY		283,283.6	234,028.4
Memorandum items			
Collateral pledged for own liabilities	25	22,442.3	3,516.9
Contingent liabilities		None	None
Obligations			
Committed undisbursed loans		2,876.4	1,576.0

Statement of changes in equity

	Restricted equity		Fair value reserve ¹	Unrestricted equity		Total equity
	Share capital	Statutory reserve		Profit or loss brought forward	Income for the year	
SEK, million						
Equity brought forward 1 Jan 2011	288.5	17.5	-11.4	347.6	140.6	782.8
Income for the year	-	-	-	-	300.6	300.6
Other comprehensive income ²	-	-	-76.2	-	-	-76.2
Appropriation of surplus	-	-	-	140.6	-140.6	0.0
New share issue	3.9	-	-	-	-	3.9
Group contributions	-	-	-	-402.6	-	-402.6
Tax effect on Group contribution	-	-	-	105.9	-	105.9
Equity carried forward 31 Dec 2011	292.4	17.5	-87.6	191.5	300.6	714.4
Equity brought forward 1 Jan 2012	292.4	17.5	-87.6	191.5	300.6	714.4
Income for the year	-	-	-	-	320.6	320.6
Other comprehensive income ²	-	-	110.6	-	-	110.6
Appropriation of surplus	-	-	-	300.6	-300.6	0.0
New share issue	316.0	-	-	-	-	316.0
New share issue in progress	20.0	-	-	-	-	20.0
Group contributions	-	-	-	-717.7	-	-717.7
Tax effect on Group contribution	-	-	-	188.8	-	188.8
Equity carried forward 31 Dec 2012	628.4	17.5	23.0	-36.8	320.6	952.7
¹ The fair value reserve consists of the following	2011	2012				
- Available-for-sale financial assets	-88.5	23.0				
- Loans and receivables (reclassified)	0.9	0.0				

² Other comprehensive income
see Statement of comprehensive income on page 34.

Cash flow statement

1 January - 31 December

SEK, million	2012	2011
Operational activities		
Operating income	249.1	396.0
Adjustment for items not included in cash flow	262.2	-10.6
Income tax paid	-0.6	-84.4
Cash flow from operating activities before changes in the assets and liabilities of operating activities	510.7	301.0
Change in interest-bearing securities	-4,561.7	-8,412.1
Change in lending	-32,299.7	-32,978.2
Change in other assets	23.4	-11.7
Change in other liabilities	-45.4	125.6
Cash flow from operational activities	-36,372.7	-40,975.4
Investment activities		
Acquisition of subsidiaries	-32.0	-
Acquisition of tangible assets	-1.6	-2.3
Cash flow from investment activities	-33.6	-2.3
Financing activities		
Issue of interest-bearing securities	163,834.8	143,755.1
Redemption of interest-bearing securities	-113,585.4	-102,716.7
New share issue	336.0	3.9
Group contribution paid	-295.0	-27.7
Cash flow from financing activities	50,290.4	41,014.6
Cash flow for the year	13,884.1	36.9
Liquid assets at the start of the accounting period	1,734.5	1,697.6
Cash and equivalents at end of the year	15,618.6	1,734.5
<p>The cash flow statement has been prepared using the indirect method. 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> <p>Liquid assets consists in their entirety of lending to credit institutions.</p>		
Adjustment for items not included in cash flow		
Depreciation	2.7	2.5
Exchange rate differences from change in financial assets	-1.4	0.0
Unrealised changes in market value	260.9	-13.1
Total	262.2	-10.6
Interest paid and earned, included in the cash flow		
Interest received	5,777.8	5,032.9
Paid interest	-5,000.0	-4,459.3

Summary of Notes to Financial Statements

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Notes

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

1 Information about Kommuninvest i Sverige AB

This Annual Report applies to the year ending 31 December 2012 and relates to Kommuninvest i Sverige AB (publ), registered number: SE556281-4409. Kommuninvest has its registered office in Örebro. Kommuninvest's address is: P.O. Box 124, SE-701 42 Örebro, Sweden.

The parent company of Kommuninvest i Sverige AB is the Kommuninvest Cooperative Society, registered number: SE716453-2074.

The Annual Report was approved for publication by the Board of Directors on 25 February 2013. The income statement and balance sheet will be subject to ratification by the Annual General Meeting on 18 April 2013.

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 interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and considering the additions and exemptions specified in FFFS 2008:25.

In accordance with Section 7:6a of ÅRKL, Kommuninvest has elected not to prepare consolidated accounts.

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

Consolidated accounts

On 1 January 2012, Kommuninvest i Sverige AB acquired all shares in Kommuninvest Fastighets AB from the Kommuninvest Cooperative Society for SEK 32 million. This means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the parent company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which Kommuninvest i Sverige AB conducts its operations. In accordance with Section 7:6a of ÅRKL, Kommuninvest i Sverige AB does not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of positions and results. For further details, see Note 17. Consolidated accounts are prepared by the parent society and available on www.kommuninvest.org

Amended accounting principles due to new or amended IFRS

Other amendments to IFRS with application as of 2012 have had no significant effect on the company's accounts.

New and amended standards from IASB and statements from IFRIC

Of the new standards and interpretations coming into force after 2012, the following regulations have been deemed to affect Kommuninvest's future annual accounts. Kommuninvest does not apply any regulations preemptively and instead applies regulations once they have been adopted for application by the EU.

IAS 1, Presentation of Financial Statements, the amendment

concerns how items under other comprehensive income are to be presented. The items are to be divided into two categories: 1) items that may be reclassified as profit/loss for the year, and 2) items that cannot be reclassified as profit/loss for the year. The amendment has been approved by the EU and will be applied retroactively for financial years starting on 1 July 2012 or later. Among other comprehensive income, Kommuninvest only has items that may be reclassified as profit/loss for the year.

IAS 32 Financial Instruments: Presentation. The change involves clarifications regarding the rules determining when the offsetting of financial assets and liabilities is permitted. The standard will be applied retroactively to financial years beginning 1 January 2014 or later. The amendment has been approved by the EU in December 2012. Kommuninvest has yet to conduct an assessment of how the amendment will affect the accounts.

IFRS 7 Financial Instruments: Disclosures. Financial assets and liabilities offset in the balance sheet and assets and liabilities covered by various types of framework agreements that allow offsetting shall be disclosed. The standard will be applied retroactively to financial years and interim periods in financial years beginning 1 January 2013 or later. The amendment has been approved by the EU in December 2012. Kommuninvest believes this will lead to increased disclosure requirements, which will affect also the Kommuninvest interim report for the first six months of the year.

IFRS 9 Financial instruments is intended to replace IAS 39 Financial instruments: Recognition and Measurement from 1 January 2015. The IASB's project to replace IAS 39 is divided into three sections, Classification and Measurement, Impairment Model and Hedge Accounting. Only classification and measurement of financial instruments is published in its entirety at this time.

– **Classification and measurement.** The categories of financial assets currently included in IAS 39 will be replaced in IFRS 9 by two categories, whereby assets are assessed at fair value or accrued cost. Accrued cost is used for instruments held according to a business model the object of which is to receive the contractual cash flows; which shall consist of payments of capital sums and interest on those capital sums on specified dates. Other financial assets are reported at fair value and the opportunity to apply a "fair value option", as in IAS 39, is retained. Changes in fair value are to be reported in income, with the exception of value changes on equity instruments not held for trade and for which an initial choice is made to report value changes in other comprehensive income. Changes on derivatives used in hedge accounting are not affected by this section of IFRS 9 and are reported in accordance with IAS 39 until further notice. Most of the principles of classification and measurement of financial liabilities under IFRS 9 are consistent with the principles in IAS 39, except for how to report changes in fair value of financial liabilities voluntarily reported at fair value according to the fair value option. For these liabilities, the change in value is divided between changes attributable to own creditworthiness and changes in the benchmark interest rate. Kommuninvest has yet to conduct an assessment of the effects of IFRS 9.

IFRS 13 Fair Value Measurement is a new uniform standard for measurement of fair value and improved disclosure requirements. The standard replaces earlier guidance regarding fair value measurement in the relevant IFRS standards. The standard determines how, not when, fair value measurement is to be applied. The standard will be applied prospectively to financial years beginning 1 January 2013 or later. The amendment has been approved by the EU in December 2012. Kommuninvest believes this will not materially impact Kommuninvest's financial position and results.

Significant judgments and assumptions

The preparation of financial statements includes judgments and assumptions that affect the accounting and disclosures. The most important judgments when applying accounting principles concern the choice of accounting category for financial instruments, as explained below in the section on financial instruments. When determining the fair value of financial instruments not traded in active markets, Kommuninvest applies valuation techniques and then makes assumptions that may be associated with uncertainty. Note 28 describes how fair value for financial instruments is derived and significant assumptions and uncertainty factors including sensitivity analysis.

Functional currency and presentation

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

Transactions in foreign currencies

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

Associated companies

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

Subsidiaries

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

Interest revenues and interest expenses

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

- Interest on financial assets and liabilities measured at amortised cost.
- Interest from financial assets classified as available-for-sale.
- Interest from financial assets classified as available-for-sale measured at fair value via profit or loss.
- Interest on derivatives that are hedging instruments and for which hedge accounting is applied.

Commission expenses

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

Net result of financial transactions

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

- Unrealised changes in fair value on assets and liabilities held for trading purposes.
- Unrealised changes in fair value on assets and liabilities recognised at fair value through profit or loss.
- Unrealised changes in fair value on derivatives where hedge accounting of fair value is applied.

- 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, or subject to a fair value hedge, see below.

Financial instruments

Financial instruments recognised in the asset side of the balance sheet include lending, lending to credit institutions, interest-bearing securities, derivatives and other financial assets. Liabilities and equity include liabilities to credit institutions, issued securities, derivatives, subordinated liabilities 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 removed from the balance sheet when the rights in the agreement are realised, fall due 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 at the same time capitalise the asset and adjust the liability.

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 included in IAS 39. The classification determines how the financial instrument is measured after the first recognition as described below.

Financial assets and liabilities valued 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 consists of two sub-groups: in part, financial assets and liabilities held for trade and, in part, other financial assets and liabilities allocated to this category by Kommuninvest on first recognition.

The first sub-group comprises derivatives held for financial hedging but not encompassed by hedge accounting and investments included in the trading operations.

The second sub-group includes assets such as lending and investments. The reason Kommuninvest has classified assets to this category is to rectify accounting mismatch that would otherwise arise regarding measurement and recognition. Risk management instruments in the form of derivative contracts are used to limit the market risks that arise when the terms for borrowing, lending and investment do not match. It would result in accounting mismatch

if the derivatives were measured at fair value through profit or loss but not the associated lending or investment.

The second sub-group also includes liabilities to credit institutions and issued securities. This refers primarily borrowing at fixed interest and structured borrowing. The reason for classifying borrowing at fixed interest in this category is that these borrowings are hedged financially with a derivative at fair value and the borrowings are mainly used for loans measured at fair value. It would be inconsistent to measure lending and derivatives at fair value but not borrowings.

The reason for classifying structured credit in this category is that the borrowing contains material embedded derivatives and that it significantly reduces inconsistencies in the valuation of free-standing derivatives and borrowing

Loans and receivables

Loan receivables and accounts receivable are assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at the amount estimated to be paid, i.e. with a deduction for doubtful receivables. This includes lending to credit institutions, certain other lending and the investments which Kommuninvest has reclassified from financial assets which may be sold, see Note 28.

Available-for-sale financial assets

This category includes Kommuninvest's investments in interest-bearing securities which are not included in trading operations or have an accompanying interest hedging derivative. This category formerly recognised the interest-bearing securities which have been reclassified as loans and receivables; see Note 28.

Assets in this category are constantly valued at fair value with value changes recognised on other comprehensive income. Changes in value due to writedowns or exchange rate differences are recognised in the income statement. Interest is also recognised in the income statement.

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

Other financial liabilities

Included here are liabilities to credit institutions, issued securities, subordinated liabilities and other financial liabilities, such as accounts payable. The liabilities are measured at amortised cost.

Hedge accounting

To obtain a true and fair picture of the operation, Kommuninvest applies, where possible, hedge accounting of fair value for the assets and liabilities which have been hedged with one or more financial instruments. The hedged risk is the risk of fluctuations in fair value as a consequence of changes in the interest on swaps. The hedged item is therefore reassessed on the basis of changes in the fair value of the hedged risk. Kommuninvest uses interest rate and currency swaps as hedge instruments. This means that the asset/liability is measured at fair value through profit or loss with regard to the components which the instrument hedges.

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

Credit losses and writedowns on financial instruments

The special status of the local government authorities in the Swedish constitution and their right to levy taxes mean that municipalities and county councils cannot be declared 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 local government 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.

At each reporting date, Kommuninvest evaluates whether there is objective evidence that any writedown 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. Where there are objective indications for the need to recognise impairment of a financial asset reported at accrued cost, the amount of any such impairment is calculated as the difference between the current value of the asset's estimated future cash flows discounted at the original effective rate of interest and the reported value of the asset.

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 value of a tangible fixed asset is derecognised from the balance sheet on scrapping or sale, or when no future economic benefits are expected from its use or the scrapping/sale of the asset. 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. Kommuninvest calculates a useful life of five years for equipment. Works of art included in the balance sheet are not depreciated.

Pension through insurance

Kommuninvest's pension plans for service pensions under collective agreements are safeguarded through an insurance agreement with 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. A defined benefit pension plan is classed as a different type of plan for post-employment benefit to a defined contribution plan.

The pension plan for Kommuninvest's employees has been deemed a defined contribution plan encompassing more than one employer. Kommuninvest's pension payments are entered as 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 defined contribution pension obligation to the President in a separate agreement. The pension obligation is invested in an endowment insurance which is recognised in shares and participations. The insurance is also pledged for the pension obligation. With regard to liabilities, the pension obligation is recognised as a provision.

The year's costs for these insurance premiums are shown in Note 8.

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 the stability fee, which amounted to SEK 101.3 (83.6) million and accounts for 40 percent (35) of total expenses. Other costs included in administration expenses are charges for consultants, premises, training, IT, telecommunications, travel, representation, rating as well as charges for market data and charges to maintain a secondary market in issued securities.

Appropriations

Appropriations comprise provisions for and dissolution of untaxed reserves in accordance with Swedish tax law. Twenty-five percent of taxable income may be allocated to an untaxed reserve and must be reversed for taxation within a maximum of six assessment years. The untaxed reserves are recognised in the balance sheet and the change for the year is recognised in the income statement. In 2012, all appropriations were dissolved.

Taxes

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

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

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

Group contributions

Kommuninvest recognises Group contributions to its parent society directly against equity.

3 Financial risks

For information on risk management, see pages 20-25

Credit risk exposure

2012	Total credit risk exposure (before impairment)	Writedown/ Provision	Recognised value	Value of collateral	Total credit risk exposure after deduction for collateral
Credit against security of:					
Government and municipal guarantees	200,950.7	-	200,950.7	-	200,950.7
Total	200,950.7	-	200,950.7	-	200,950.7
Securities					
Government securities and other public bodies					
- AAA	8,829.9	-	8,829.9	-	8,829.9
- AA	2,129.6	-	2,129.6	-	2,129.6
- no rating	201.3	-	201.3	-	201.3
Other issuers					
- AAA	35,481.4	-	35,481.4	-	35,481.4
- AA	10,146.8	-	10,146.8	3,167.4	6,979.4
- A	2,260.2	-	2,260.2	587.6	1,672.6
- BBB	11,863.7	-	11,863.7	11,863.7	0.0
- BB	160.2	-	160.2	-	160.2
Total	71,073.1	-	71,073.1	15,618.7	55,454.4
Derivatives					
- AA	3,620.0	-	3,620.0	215.1	3,404.9
- A	5,998.4	-	5,998.4	2,206.6	3,791.8
- BBB	1,439.0	-	1,439.0	372.1	1,066.9
Total	11,057.4	-	11,057.4	2,793.8	8,263.6
Obligations					
Committed undisbursed loans against municipal guarantees	2,876.4	-	2,876.4	-	2,876.4
Total	2,876.4	-	2,876.4	-	2,876.4
Total credit risk exposure	285,957.6	-	285,957.6	18,412.5	267,545.1
2011					
	Total credit risk exposure (before impairment)	Writedown/ Provision	Recognised value	Value of collateral	Total credit risk exposure after deduction for collateral
Credit against security of:					
Government and municipal guarantees	168,070.5	-	168,070.5	-	168,070.5
Total	168,070.5	-	168,070.5	-	168,070.5
Securities					
Government securities and other public bodies					
- AAA	8,285.9	-	8,285.9	-	8,285.9
- AA	2,555.8	-	2,555.8	-	2,555.8
Other issuers					
- AAA	26,176.9	-	26,176.9	-	26,176.9
- AA	11,600.3	-	11,600.3	-	11,600.3
- A	3,325.0	-	3,325.0	-	3,325.0
- BB	150.9	-	150.9	-	150.9
Total	52,094.8	-	52,094.8	-	52,094.8
Derivatives					
- AA	5,549.6	-	5,549.6	1,063.5	4,486.1
- A	8,050.1	-	8,050.1	3,206.3	4,843.8
- BBB	87.5	-	87.5	63.3	24.2
Total	13,687.2	-	13,687.2	4,333.1	9,354.1
Obligations					
Committed undisbursed loans against municipal guarantees	1,576.0	-	1,576.0	-	1,576.0
Total	1,576.0	-	1,576.0	-	1,576.0
Total credit risk exposure	235,428.5	-	235,428.5	4,333.1	231,095.4

Kommuninvest has no direct exposure to Greece, Ireland, Italy, Spain or Portugal. Securities with a BB rating pertain to Exportfinans of Norway. Securities with a BBB rating pertain to secured lending to Danske Bank. Securities that lack a rating pertain to the Municipality of Umeå.

Maturity information¹

2012		Nominal cash flows – Contractual remaining duration					
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
Contractual remaining duration							
Assets							
State bonds eligible as collateral	-	4,450.0	2,487.8	4,064.7	-	-	11,002.5
Lending to credit institutions	-	14,414.8	-	-	-	-	14,414.8
Lending	-	65,920.6	29,423.7	97,512.9	10,836.9	-	203,694.1
Bonds and other interest-bearing securities	-	5,280.8	5,968.0	30,480.6	552.7	-	42,282.1
Derivatives	-	93,805.0	65,574.9	245,207.0	34,985.4	-	439,572.3
Other asset items	-	202.4	-	-	-	-	202.4
Total assets	-	184,073.6	103,454.4	377,265.2	46,375.0	-	711,168.2
Liabilities							
Liabilities to credit institutions	-	2,291.8	-	1,628.8	1,410.2	-	5,330.8
Securities issued	-	35,887.4	44,191.7	159,936.1	19,650.1	-	259,665.3
Derivatives	-	94,844.0	66,749.0	248,188.6	33,491.7	-	443,273.3
Other liabilities	-	945.8	-	-	-	-	945.8
Subordinated liabilities	-	-	-	-	1,000.3	-	1,000.3
Equity	-	-	-	-	-	952.7	952.7
Total equity and liabilities	-	133,969.0	110,940.7	409,753.5	55,552.3	952.7	711,168.2
Net	-	50,104.6	-7,486.3	-32,488.3	-9,177.3	-952.7	0.0
Committed undisbursed loans	2,876.4	-	-	-	-	-	-

2011		Nominal cash flows – Contractual remaining duration					
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total
Contractual remaining duration							
Assets							
State bonds eligible as collateral	-	6,764.3	856.9	3,206.3	-	-	10,827.5
Lending to credit institutions	1,734.5	-	-	-	-	-	1,734.5
Lending	-	57,314.9	37,459.8	56,894.7	15,729.5	-	167,398.9
Bonds and other interest-bearing securities	-	2,154.8	8,608.8	28,124.1	-	-	38,887.7
Derivatives	-	64,591.8	104,211.5	168,509.1	44,684.1	-	381,996.5
Other asset items	-	175.8	-	-	-	-	175.8
Total assets	1,734.5	131,001.6	151,137.0	256,734.2	60,413.6	-	601,020.9
Liabilities							
Liabilities to credit institutions	-	-	357.0	840.9	2,728.3	-	3,926.2
Securities issued	-	47,912.5	69,025.9	83,512.9	18,433.3	-	218,884.6
Derivatives	-	64,428.3	103,495.8	166,199.5	41,599.5	-	375,723.1
Other liabilities	-	568.6	-	-	-	-	568.6
Subordinated liabilities	-	-	-	-	1,000.0	-	1,000.0
Equity	-	-	-	-	-	918.4	918.4
Total equity and liabilities	-	112,909.4	172,878.7	250,553.3	63,761.1	918.4	601,020.9
Net	1,734.5	18,092.2	-21,741.7	6,180.9	-3,347.5	-918.4	0.0
Committed undisbursed loans	1,576.0	-	-	-	-	-	-

¹ To a large extent, future interest payments involve matching payment flows. These are exclusive of both deposits and outgoing payments.

Maturity information

2012							
Recognised values – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total recognised value
Contractual remaining duration							
Assets							
State bonds eligible as collateral	-	4,445.9	2,492.3	4,222.6	-	-	11,160.8
Lending to credit institutions	-	15,618.6	-	-	-	-	15,618.6
Lending	-	65,452.8	28,246.3	96,416.8	10,834.8	-	200,950.7
Bonds and other interest-bearing securities	-	5,285.3	6,059.0	32,322.1	627.3	-	44,293.7
Derivatives	-	592.9	1,028.8	6,484.8	2,950.9	-	11,057.4
Other asset items	-	202.4	-	-	-	-	202.4
Total assets	-	91,597.9	37,826.4	139,446.3	14,413.0	-	283,283.6
Liabilities							
Liabilities to credit institutions	-	2,353.1	-	1,693.2	1,564.1	-	5,610.4
Securities issued	-	35,754.8	45,138.7	162,976.4	13,387.4	-	257,257.3
Derivatives	-	2,448.8	2,257.9	10,675.8	2,134.7	-	17,517.2
Other liabilities	-	945.7	-	-	-	-	945.7
Subordinated liabilities	-	-	-	-	1,000.3	-	1,000.3
Equity	-	-	-	-	-	952.7	952.7
Total equity and liabilities	-	41,502.4	47,396.6	175,345.4	18,086.5	952.7	283,283.6
Total difference	-	50,095.5	-9,570.2	-35,899.1	-3,673.5	-952.7	0.0
Committed undisbursed loans	2,876.4	-	-	-	-	-	-

2011							
Recognised values – Contractual remaining duration							
Liquidity exposure	On demand	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	Longer than 5 yrs.	No maturity	Total recognised value
Contractual remaining duration							
Assets							
State bonds eligible as collateral	-	6,765.8	856.7	3,219.2	-	-	10,841.7
Lending to credit institutions	1,734.5	-	-	-	-	-	1,734.5
Lending	-	57,504.7	37,648.4	57,187.5	15,729.9	-	168,070.5
Bonds and other interest-bearing securities	-	2,157.0	8,652.2	28,709.5	-	-	39,518.7
Derivatives	-	1,798.5	1,746.0	4,324.3	5,818.4	-	13,687.2
Other asset items	-	175.8	-	-	-	-	175.8
Total assets	1,734.5	68,401.8	48,903.3	93,440.5	21,548.3	-	234,028.4
Liabilities							
Liabilities to credit institutions	-	-	357.3	842.2	2,949.9	-	4,149.4
Securities issued	-	46,417.6	67,227.1	84,370.0	20,022.7	-	218,037.4
Derivatives	-	504.5	1,642.2	5,192.7	2,015.1	-	9,354.5
Other liabilities	-	568.5	-	-	-	-	568.5
Subordinated liabilities	-	-	-	-	1,000.2	-	1,000.2
Equity	-	-	-	-	-	918.4	918.4
Total equity and liabilities	-	47,490.6	69,226.6	90,404.9	25,987.9	918.4	234,028.4
Total difference	1,734.5	20,911.2	-20,323.3	3,035.6	-4,439.6	-918.4	-
Committed undisbursed loans	1,576.0	-	-	-	-	-	-

Fixed interest terms, Interest exposure

2012							
	Nominal cash flows						
Fixed interest terms for assets and liabilities – Interest exposure	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yrs. but max. 10 yrs.	More than 10 yrs.	Without interest	Total
Assets							
State bonds eligible as collateral	6,160.8	1,462.8	3,378.9	-	-	-	11,002.5
Lending to credit institutions	14,414.8	-	-	-	-	-	14,414.8
Lending	120,033.2	8,900.3	65,714.4	8,677.2	369.0	-	203,694.1
Bonds and other interest-bearing securities	16,510.7	3,607.6	21,611.1	552.7	-	-	42,282.1
Derivatives	290,636.2	45,580.4	93,030.0	9,325.7	1,000.0	-	439,572.3
Other assets	-	-	-	-	-	202.4	202.4
Total	447,755.7	59,551.1	183,734.4	18,555.6	1,369.0	202.4	711,168.2
Liabilities							
Liabilities to credit institutions	3,420.9	-	1,154.2	755.7	-	-	5,330.8
Securities issued	95,295.5	49,873.4	104,926.4	8,570.0	1,000.0	-	259,665.3
Derivatives	335,985.9	18,977.4	78,710.9	9,230.1	369.0	-	443,273.3
Other liabilities	-	-	-	-	-	945.8	945.8
Subordinated liabilities	1,000.3	-	-	-	-	-	1,000.3
Equity	-	-	-	-	-	952.7	952.7
Total equity and liabilities	435,702.6	68,850.8	184,791.5	18,555.8	1,369.0	1,898.5	711,168.2
Cumulative exposure	12,053.1	-9,299.7	-1,057.1	-0.2	0.0	-1,696.1	0.0
2011							
	Nominal cash flows						
Fixed interest terms for assets and liabilities – Interest exposure	At most 3 mths.	More than 3 mths. but max. 1 yr.	More than 1 yr. but max. 5 yrs.	More than 5 yrs. but max. 10 yrs.	More than 10 yrs.	Without interest	Total
Assets							
State bonds eligible as collateral	8,666.0	482.5	1,679.2	-	-	-	10,827.7
Lending to credit institutions	1,734.5	-	-	-	-	-	1,734.5
Lending	104,614.7	9,666.2	42,514.4	10,378.6	225.0	-	167,398.9
Bonds and other interest-bearing securities	22,534.5	1,929.7	14,423.5	-	-	-	38,887.7
Derivatives	218,224.3	81,933.4	64,343.4	15,916.0	1,579.2	-	381,996.3
Other assets	-	-	-	-	-	175.8	175.8
Total	355,774.0	94,011.8	122,960.5	26,294.6	1,804.2	175.8	601,020.9
Liabilities							
Liabilities to credit institutions	1,699.2	-	-	2,048.6	178.4	-	3,926.2
Securities issued	68,876.1	68,989.8	64,824.9	14,793.1	1,400.8	-	218,884.7
Derivatives	274,787.5	33,099.7	58,182.1	9,428.7	225.0	-	375,723.0
Other liabilities	-	-	-	-	-	568.6	568.6
Subordinated liabilities	1,000.0	-	-	-	-	-	1,000.0
Equity	-	-	-	-	-	918.4	918.4
Total equity and liabilities	346,362.8	102,089.5	123,007.0	26,270.4	1,804.2	1,487.0	601,020.9
Cumulative exposure	9,411.2	-8,077.7	-46.5	24.2	0.0	-1,311.2	0.0

Foreign exchange risk¹

2012	Recognised values							
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	GBP	Other currencies	Fair value adjustment	Total
Assets								
Lending to credit institutions	15,616.0	2.6	0.0	-0.2	0.1	0.1	-	15,618.6
Lending	198,915.6	-	-	-	-	-	2,035.1	200,950.7
Interest-bearing securities	29,701.0	7,833.0	18,684.9	-	-	-	-764.4	55,454.5
Shares and participations	34.2	-	-	-	-	-	-	34.2
Derivatives	-	-	-	-	-	-	11,057.4	11,057.4
Other assets	111.2	0.0	0.1	0.0	-	-	56.9	168.2
Total assets	244,378.0	7,835.6	18,685.0	-0.2	0.1	0.1	12,385.0	283,283.6
Liabilities								
Liabilities to credit institutions	2,384.6	1,270.8	-	1,749.5	-	-	205.5	5,610.4
Securities issued	76,645.7	2,383.3	83,325.4	48,049.0	15,844.0	31,519.7	-509.8	257,257.3
Derivatives	162,259.7	4,180.5	-64,651.6	-49,798.5	-15,844.0	-31,519.7	12,890.8	17,517.2
Subordinated liabilities	1,000.3	-	-	-	-	-	-	1,000.3
Other liabilities inc. equity	2,099.9	0.0	0.0	-	-	-	-201.5	1,898.4
Total equity and liabilities	244,390.2	7,834.6	18,673.8	0.0	0.0	0.0	12,385.0	283,283.6
Difference, assets and liabilities	-12.2	1.0	11.2	-0.2	0.1	0.1	0.0	0.0

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

	-	0.1	1.1	0.0	0.0	0.0	-	-
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2011	Recognised values							
Assets and liabilities in major foreign currencies	SEK	EUR	USD	JPY	CHF	Other currencies	Fair value adjustment	Total
Assets								
Lending to credit institutions	1,731.3	0.1	2.9	-	-	0.2	-	1,734.5
Lending	166,615.9	-	-	-	-	-	1,454.6	168,070.5
Interest-bearing securities	20,031.2	8,039.0	21,949.9	-	-	-	340.3	50,360.4
Shares and participations	1.8	-	-	-	-	-	-	1.8
Derivatives	-	-	-	-	-	-	13,687.2	13,687.2
Other assets	172.7	-	1.3	-	-	-	-	174.0
Total assets	188,552.9	8,039.1	21,954.1	-	-	0.2	15,482.1	234,028.4
Liabilities								
Liabilities to credit institutions	482.1	1,395.5	-	2,048.7	-	-	223.1	4,149.4
Securities issued	73,400.2	6,073.5	51,164.8	44,651.5	11,154.1	25,543.0	6,050.3	218,037.4
Derivatives	112,041.2	569.3	-29,213.2	-46,700.2	-11,154.1	-25,543.0	9,354.5	9,354.5
Subordinated liabilities	1,000.2	-	-	-	-	-	-	1,000.2
Other liabilities inc. equity	1,632.7	-	-	-	-	-	-145.8	1,486.9
Total equity and liabilities	188,556.4	8,038.3	21,951.6	0.0	0.0	0.0	15,482.1	234,028.4
Difference, assets and liabilities	-3.5	0.8	2.5	0.0	0.0	0.2	0.0	0.0

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

	-	0.1	0.3	-	-	0.0	-	-
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¹ Kommuninvest has elected to present fair value adjustments totalled by balance sheet item rather than by currency since currency risk is assessed on the basis of contracted payment flows.

Member responsibilities

Municipalities and county councils that are members of the Kommuninvest Cooperative Society have entered a joint and several guarantee covering all of the Company's commitments. Kommuninvest's operations have changed considerably since the inception of the company in 1986. The company borrows funds in advance to be prepared for members' borrowing needs and to meet requirements imposed by authorities and rating institutes, and it uses hedging instruments (derivatives) to mitigate the risks in its operations.

In 2010, two agreements were prepared in addition to the basic joint and several guarantee to clarify the responsibility of the members. One is a guarantee agreement regulating the responsibility for counterparty exposures in derivatives and replaces earlier clauses in the documentation of loans. The other is an updated regress agreement that details the members' mutual responsibility. The agreements clarify and replace the earlier responsibility according to the regress agreement and promissory note terms. The agreements were adopted by the member authorities individually during 2011.

The distribution of responsibility has been communicated twice annually to members by means of a statement of undertaking based on each member's proportional participation in Kommuninvest's total lending and its share of the total capital contributed to the Kommuninvest Cooperative Society.

The statement of undertaking is based on the following items in Kommuninvest's balance sheet as per 31 December 2012 (SEK, millions).

Liabilities to credit institutions	5,610.4
Securities issued	257,257.3
Total borrowing	262,867.7

LIABILITIES, according to statement of undertaking

Loaned borrowing (1)	191,794.6
Borrowing not loaned (2)	71,073.1
Total borrowing	262,867.7 in accordance with the above

Other liabilities (2)	945.7
Derivatives*, connected with loaned borrowing (1)	4,195.0
Total liabilities/undertaking	268,008.4

ASSETS, according to statement of undertaking

Loaned borrowing (1)	200,950.7	see Note 13
Borrowing not loaned (2)	71,073.1	see Notes 3, 12, 14
Other assets (2)	202.4	
Derivatives*, connected with loaned borrowing (1)	560.1	
Total assets	272,786.3	

Basis for distribution:

1. Percentage equivalent to each member's participation in Kommuninvest's loaned borrowing.
2. Percentage equivalent to each member's participation in the total capital contributed to the Kommuninvest Cooperative Society.

* The derivatives (hedging contracts) are included gross in the company's balance sheet (see Note 3), that is contract by contract, and are recognized as an asset when Kommuninvest has a claim against the counterparty and as a liability when the counterparty has a claim against Kommuninvest.

In the statement of undertaking, the derivatives are recognized net per counterparty, that is, claims against the same counterparty have been netted against liabilities to the same counterparty. In addition, the derivatives recognised above as assets have been reduced by collateral received, such as government bonds. At 31 December 2012, collateral received amounted to SEK 2,794 (4,333) million and may only be used to cover outstanding exposures. These are disclosed in Note 3 Credit risk exposure in the company's annual report but may not be reduced in the balance sheet. The company currently has no pledged for liabilities in connection with derivatives.

4 Net interest income

Interest revenues	2012	2011
Lending to credit institutions	6.8	57.1
Lending	4,929.8	4,309.7
Interest-bearing securities	1,109.0	1,034.8
Other	0.6	0.0
Total	6,046.2	5,401.6
Of which interest income from financial items not measured at fair value through profit or loss	3,748.4	3,339.6
Interest expenses		
Liabilities to credit institutions	0.0	0.6
Interest-bearing securities	5,254.7	4,804.6
Other	19.8	23.8
Total	5,274.5	4,829.0
Of which interest expense from financial items not measured at fair value through profit or loss	2,682.2	2,956.2
Total net interest income	771.7	572.6

5 Commission expenses

	2012	2011
Payment agency commissions	1.3	1.8
Brokerage for securities	6.7	6.4
Other commissions	0.5	0.4
Total	8.5	8.6

6 Net result of financial transactions

	2012	2011
Result from buyback of own bonds	24.1	55.9
Interest-bearing securities	-25.2	0.2
Other financial instruments	-6.4	2.9
Unrealised changes in market value	-260.9	13.1
Exchange rate changes	1.3	0.0
Total	-267.1	72.1

Net gain/loss by measurement category	2012	2011
Financial assets at fair value through profit or loss	700.9	1,399.0
Holdings for trading purposes (assets)	1,171.2	-1,209.8
Loans and receivables	-	-1.8
Financial liabilities at fair value through profit or loss	-2,818.6	2,268.2
Holdings for trading purposes (liabilities)	772.8	-2,469.7
Capital gains/losses on available-for-sale financial assets	-24.4	0.2
Change in fair value of derivatives that are hedging instruments in fair value hedge	190.3	1,243.7
Change in fair value on hedged item with regard to hedged risk in fair value hedges	-260.6	-1,157.7
Exchange rate changes	1.3	0.0
Total	-267.1	72.1

Gain/loss (net)

Net result of available-for-sale financial assets recognised in other comprehensive income.	148.4	-103.3
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7 Other operating income

	2012	2011
Legal representation fees in connection with dispute	4.6	-
Other operating income	0.0	0.1
Total	4.6	0.1

8 General administration expenses

In SEK, thousands

	2012	2011
Payroll expenses		
- salaries and emoluments	43,577	40,664
- social security charges	13,513	12,360
- pension expenses	7,285	6,829
- special payroll tax on pension expenses	1,718	1,609
- education/training costs	1,733	1,885
- other personnel expenses	5,007	3,568
Total personnel costs	72,833	66,915
Other general administration expenses		
- travel expenses	4,013	4,008
- IT expenses	13,576	17,303
- consultancy fees	20,046	24,946
- temporary/contract personnel	1,967	2,821
- rating expenses	7,601	7,347
- market data	5,391	3,959
- rent and other expenses for premises	3,093	2,700
- Annual and interim reports	1,595	2,463
- stability fee	101,346	83,633
- other	12,491	13,943
Total other general administration expenses	171,119	163,123
Total	243,952	230,038

Remuneration policy

The company applies a remuneration policy that explains that Kommuninvest does not apply variable remuneration. No variable remuneration has been paid to Kommuninvest employees in 2012.

Remuneration to senior executives

Remuneration for the President and CEO has been decided by the Board. For 2012, the President and CEO received SEK 2,708,000

(2,624,000) in basic salary. No variable remuneration was paid. Pension expenses for the President and CEO amounted to SEK 820,000 (755,000) and are covered by insurance. Part of the insurance cost relates to endowment insurance for pension obligations. The obligation contains survivors' protection. The pension is vested, i.e. not conditional on future employment. For termination initiated by the company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration for the Deputy CEO has been decided by the President after consultation with the Board Chairman. The Deputy CEO received SEK 1,830,000 (1,832,000) in basic salary for 2012. No variable remuneration was paid. Pension expenses for the Deputy CEO amounted to SEK 418,000 (442,000) and are covered by insurance. For termination initiated by the company, salary will continue to be paid for the duration of the 6-month notice period, along with severance pay of 18 months reduced by an amount corresponding to new income if a new position is obtained.

Remuneration details regarding other senior executives only include remunerations paid during the period in which each individual has been a senior executive. Remuneration to other senior executives in the corporate management, totalling 3 (3) at the end of the year, of whom 2 (1) were women and 1 (2) was a man, has been determined by the President in consultation with the Chairman. During the year, 2 individuals left the corporate management team (both men), while 2 new individuals took up positions in the team, of whom 1 was a woman and 1 was a man. Throughout 2012, other senior executives consisted of 3 individuals. The total

Remuneration for Board of Directors

In SEK, thousands		2012	2011
Björn Börjesson	From 7 April 2011 to 4 December 2012	400	300
Ellen Bramness Arvidsson		225	257
Lorentz Andersson		155	137
Kurt Eliasson		135	117
Anna von Knorring		135	137
Catharina Lagerstam		145	119
Anna Sandborgh		155	137
Johan Törngren		155	137
Anders Pelander	Employee representative effective from 28 August 2012	-	-
Total		1,505	1,341

Wages and remunerations

In SEK, thousands

	Basic salary / Board fee	Variable pay	Other benefits	Pension expense	Other remuneration	Total
2012						
Board of Directors	1,505	-	-	-	-	1,505
President and CEO	2,708	-	79	820	-	3,607
Deputy CEO	1,830	-	-	418	-	2,248
Other members of company management	4,251	-	8	966	-	5,225
Other salaried employees	33,283	-	210	5,081	-	38,574
Total	43,577	-	297	7,285	-	51,159
2011						
Board of Directors	1,341	-	-	-	1	1,342
President and CEO	2,624	-	83	755	-	3,462
Deputy CEO	1,832	-	-	442	-	2,274
Other members of company management	3,389	-	1	608	-	3,998
Other salaried employees	31,478	-	204	5,024	-	36,706
Total	40,664	-	288	6,829	1	47,782

amount of the remuneration for these people amounted to SEK 4,251,000 (3,389,000) for the period in which they were members of the corporate management team. The pension expenses are covered through insurance.

According to the the Board's work procedures, as adopted in 2012, the Chairman of the Board is responsible for ensuring that the company's remuneration policy is independently reviewed and for preparing Board decisions regarding a) remunerations to senior executives, b) remunerations to employees with overarching responsibility for any of the company's control functions, and c) measures for following-up the application of the company's remuneration policy.

Remuneration to the Board of Directors

At the end of the year, the Board of Directors comprised 8 (8) members, of whom 4 (4) were women. Björn Börjesson was Chairman from 1 January 2012 to 4 December 2012. The work of the Board has since been led by Ellen Bramness Arvidsson.

Remuneration to the Board, within the framework of the Board fees approved by the Annual General Meeting, is shown in the table on the previous page. The Chairman of the Board is paid a fixed fee of SEK 400,000. The Vice Chairman receives a fixed fee of SEK 100,000 and a variable fee of SEK 10,000 per meeting and SEK 5,000 per meeting by phone. Other Board members receive a fixed fee of SEK 50,000 and a variable fee of SEK 10,000 per meeting and SEK 5,000 per meeting by phone. No fee is paid to the employee representative.

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

Average number of employees	2012	2011
Average number of employees during the year	62	58
- of whom women	27	24

Emoluments and costs for the auditors	2012	2011
Ernst & Young AB		
Auditing engagement	939	932
Other audit services	1,559	316
Other Services	764	603

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

Operating leases where Kommuninvest i Sverige AB is the lessee	2012	2011
Non-cancelable lease payments amount to:		
Within one year	3,553	3,398
Between one and five years	4,710	7,386
More than five years	-	12
Total	8,263	10,796

Expenses over the year amounted to SEK 3,448,000 (2,722,000).

9 Other operating expenses

	2012	2011
Insurance expenses	0.6	0.5
Communication and information	4.2	6.3
Other operating expenses	0.2	0.8
Total	5.0	7.6

10 Appropriations

	2012	2011
Reversal of tax allocation reserve	204.0	13.9
Total	204.0	13.9

11 Taxes

Recognised in income statement	2012	2011
Current tax expense	188.7	105.9
Deferred tax expense (+) / tax income (-) attributable to temporary differences	-56.2	3.5
Total tax expense recognised	132.5	109.4

Reconciliation of effective tax	2012%	2012	2011%	2011
Profit/loss before tax		453.1		410.0
Tax according to prevailing tax rate	26.3%	119.2	26.3%	107.8
Non-deductible expenses	0.1%	0.3	0.1%	0.4
Effect of changed tax rates	2.7%	12.4	0.0%	-
Standard interest on tax allocation reserve	0.1%	0.6	0.3%	1.2
Recognised effective tax	29.3%	132.5	26.7%	109.4

Tax expense attributable to other comprehensive income	2012	2011
Available-for-sale financial assets	37.6	-26.1
Loans and receivables	0.3	-1.1
Total other comprehensive income	37.9	-27.2

Recognised in the balance sheet

Current tax assets	2012	2011
Current tax assets	79.0	79.0
	79.0	79.0

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	2012	2011	2012	2011	2012	2011
Unrealised changes in market value						
- of which recognised in the income statement	63.3	7.1	-	-	63.3	7.1
- of which recognised in statement of comprehensive income	-6.5	31.3	-	-	-6.5	31.3
Tax assets/liabilities, net	56.8	38.4	-	-	56.8	38.4

Tax items entered directly against equity	2012	2011
Current tax on group contributions paid	188.7	105.9
Total sum entered directly against equity	188.7	105.9

12 State bonds eligible as collateral

	2012			2011		
	Cost	Fair value	Recognised value	Cost	Fair value	Recognised value
State bonds eligible as collateral						
- Swedish central government	6,792.5	6,809.3	6,809.3	7,812.5	7,829.5	7,829.5
- Swedish municipalities	2,086.6	2,103.7	2,103.7	2,325.9	2,341.6	2,341.4
- Foreign governments	2,213.6	2,247.8	2,247.8	689.2	670.8	670.8
Total	11,092.7	11,160.8	11,160.8	10,827.6	10,841.9	10,841.7
Positive difference of book values exceeding nominal values			171.3			36.7
Negative difference of book values falling below nominal values			-13.0			-31.5
Total			158.3			5.2

For 2011, recognised value differs from fair value because assets reclassified as loans and receivables (see Note 28) are recognised at amortised cost. These matured in 2012. In Kommuninvest's assessment, no writedowns were required as per 31 December 2012.

13 Lending

Lending refers to lending to municipalities and county councils, as well as to companies owned by municipalities and county councils. Approximately 45.1 percent (43.5) 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 30.7 percent (32.3) and other companies with municipal guarantees 24.2 percent (24.2). In Kommuninvest's assessment, no writedowns were required as per 31 December 2012.

14 Bonds and other interest-bearing securities

	2012			2011		
	Cost	Fair value	Recognised value	Cost	Fair value	Recognised value
Bonds and other interest-bearing securities						
- Swedish housing finance institutions	17,100.4	17,727.5	17,727.5	7,521.9	7,939.8	7,939.8
- Other Swedish issuers	690.4	731.3	731.3	1,929.1	1,957.4	1,957.4
- Other foreign issuers	25,480.6	25,834.9	25,834.9	29,436.7	29,614.8	29,621.5
Total	43,271.4	44,293.7	44,293.7	38,887.7	39,512.0	39,518.7
Positive difference of book values exceeding nominal values			2,024.2			797.9
Negative difference of book values falling below nominal values			-12.6			-134.7
Total			2,011.6			663.2

For 2011, recognised value differs from fair value because assets reclassified as loans and receivables (see Note 28) are recognised at amortised cost. These matured in 2012. In Kommuninvest's assessment, no writedowns were required as per 31 December 2012.

15 Shares and participations

	2012	2011
Endowment insurance	1.7	1.3
Total shares and participations	1.7	1.3

16 Shares and participations in associated companies

Administrative Solutions NLGFA AB, holding 50%.

	2012	2011
Reg. no: SE-556581-0669, Örebro, Sweden		
Number of shares: 500	0.5	0.5
Total	0.5	0.5

As per 31 December 2012, Administrative Solutions NLGFA AB had a balance sheet total of SEK 6.6 million, equity of SEK 1.9 million and generated a profit of SEK 0.04 million.

17 Shares and participations in subsidiaries

Kommuninvest Fastighets AB, holding 100 percent

	2012	2011
Reg. no: SE-556464-5692, Örebro, Sweden		
Number of shares: 1,000	32.0	-
Total	32.0	-

As per 31 December 2012, Kommuninvest Fastighets AB had a balance sheet total of SEK 45.7 million, equity of SEK 11.8 million and generated a loss of SEK 2.7 million

18 Tangible assets

	2012	2011
<i>Acquisition value</i>		
Acquisition value brought forward	16.9	14.6
Investments for the year	1.6	2.3
Disposals	-	-
Acquisition value carried forward	18.5	16.9
<i>Depreciation</i>		
Opening balance, depreciation	-10.2	-7.7
Depreciation for the year	-2.7	-2.5
Disposals	-	-
Depreciation carried forward	-12.9	-10.2
Planned residual value at the end of the accounting period	5.6	6.7

19 Other assets

	2012	2011
Other assets	14.1	30.9
Total	14.1	30.9

20 Other liabilities

	2012	2011
Liabilities to parent society	805.3	382.6
Other liabilities	13.1	72.8
Total	818.4	455.4

23 Subordinated liabilities

	Currency	Nom	Interest rate (%)	Due date	Recognised value	
					2012	2011
Debenture loan	SEK	1,000.0	Variable	Perpetual	1,000.3	1,000.2
Total		1,000.0			1,000.3	1,000.2

Perpetual debenture with three-month variable Stibor-linked interest. The terms only allow repayment or repurchase on the approval of the Swedish Financial Supervisory Authority. At the earliest, however, this may occur on the interest date five years after the loan date 30 November 2010 and thereafter on each subsequent interest date. The interest expense for the year totalled SEK 38.8 (42.7) million.

If the loan is not permitted for inclusion in the company's capital base, it may be repaid at any point in its duration. The holder may not transfer the debenture or his/her rights in any other way. The general guarantee undertaking issued by the members of the Kommuninvest Cooperative Society to cover the undertakings of Kommuninvest cannot be invoked regarding the debenture loan.

24 Untaxed reserves

	2012	2011
Tax allocation reserves		
2007 tax assessment	-	7.0
2008 tax assessment	-	4.7
2009 tax assessment	-	18.5
2010 tax assessment	-	85.7
2011 tax assessment	-	88.1
Total untaxed reserves	-	204.0

26 Related parties

In SEK, thousands

Related parties

Kommuninvest has a close association with the Kommuninvest Cooperative Society (parent company), Kommuninvest Fastighets AB (subsidiary) and Administrative Solutions NLGFA AB (associated company).

Related party	Years	Sales of goods/	Purchase of	Other	Receivables from	Liabilities to
		services to	goods/services		related parties on	related parties on
		related parties	from related parties	(interest)	31 December	31 December
Kommuninvest Cooperative Society	2012	1,217	-	-38,782	13	1,805,579
	2011	318	388	-42,711	295	1,382,811
Kommuninvest Fastighets AB	2012	69	2,376	-	10,000	-
	2011	63	2,093	-	-	-
Administrative Solutions NLGFA AB	2012	37	8,012	90	2,001	835
	2011	31	13,796	92	8,380	-

Transactions with related 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 8.

21 Accrued expenses and prepaid revenues

	2012	2011
Accrued stability fee	101.6	83.8
Other accrued expenses	23.6	27.7
Total	125.2	111.5

22 Provisions for pensions and similar commitments

	2012	2011
Provision for pension obligations	2.1	1.6
Total	2.1	1.6

25 Pledged assets

	2012	2011
In the form of assets pledged for own provisions and liabilities pledged with the Riksbank:		
- Government securities	5,039.2	3,515.6
- Swedish municipalities and county councils	2,213.1	-
- Swedish covered bonds	15,188.3	-
- Endowment insurance for pension obligations	1.7	1.3
Assets pledged, total	22,442.3	3,516.9

The recognised value of liabilities and provisions involving pledges amounted to SEK 2.1 (1.6) million. To qualify for participation in RIX, the Riksbank's system for the transfer of account funds, Kommuninvest is required to pledge government securities with the Riksbank. This is a prerequisite for short-term liquidity management through RIX.

27 Events after the balance sheet date

On 1 February 2013 Hans Wäljamets assumed the post of COO, Chief Operating Officer. Uppsala municipality was admitted as member number 275 of the Kommuninvest Cooperative Society on 6 February 2013.

28 Financial assets and liabilities

	Financial assets at fair value through profit or loss. Financial assets designated to belong to this category	Financial assets at fair value through profit or loss. Held for trade	Loans and receivables	Investments held to maturity
2012				
State bonds eligible as collateral	9,239.4	-	-	-
Lending to credit institutions	-	-	15,618.6	-
Lending	73,686.7	-	127,264.0	-
Bonds and other interest-bearing securities	27,583.2	250.4	-	-
Derivatives	-	5,525.9	-	-
Other assets	-	-	12.3	-
Total	110,509.3	5,776.3	142,894.9	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-
2011				
State bonds eligible as collateral	2,166.6	-	200.2	-
Lending to credit institutions	-	-	1,734.5	-
Lending	51,785.7	-	116,284.8	-
Bonds and other interest-bearing securities	16,278.5	516.1	3,929.3	-
Derivatives	-	9,113.6	-	-
Other assets	-	-	29.7	-
Total	70,230.8	9,629.7	122,178.5	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

The recognised value of lending to credit institutions consists of receivables from credit institutions including receivables in genuine repurchasing transactions, which are recognised at amortised cost. The difference between recognised value and fair value pertains to changes in genuine repurchasing transactions.

The recognised value for lending consists of lending recognised at amortised cost, lending included in a fair value hedging relation

and lending recognised at fair value. Fair value differs from the recognised value as it relates to fair value for all groups.

The recognised value for liabilities to credit institutions and securities issued is composed partly of liabilities recognised at amortised cost, liabilities in a fair value hedging relation and liabilities recognised at fair value. Fair value differs from the recognised value as it relates to fair value for all groups.

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss. Financial liabilities designated as belong to this category	Financial liabilities at fair value through profit or loss. Held for trade	Other financial liabilities	Derivatives that are used for hedge accounting	Total recognised value	Fair value
1,921.4	-	-	-	-	11,160.8	11,160.8
-	-	-	-	-	15,618.6	15,617.8
-	-	-	-	-	200,950.7	201,156.0
16,460.1	-	-	-	-	44,293.7	44,293.7
-	-	-	-	5,531.5	11,057.4	11,057.4
-	-	-	-	-	12.3	12.3
18,381.5	-	-	-	5,531.5	283,093.5	283,298.0
-	2,610.6	-	2,999.8	-	5,610.4	5,609.7
-	120,098.9	-	137,158.5	-	257,257.4	257,658.8
-	-	16,074.2	-	1,442.9	17,517.1	17,517.1
-	-	-	814.5	-	814.5	814.5
-	-	-	1,000.3	-	1,000.3	1,000.3
-	122,709.5	16,074.2	141,973.1	1,442.9	282,199.7	282,600.5
8,474.9	-	-	-	-	10,841.7	10,841.9
-	-	-	-	-	1,734.5	1,734.5
-	-	-	-	-	168,070.5	168,080.8
18,794.8	-	-	-	-	39,518.7	39,512.1
-	-	-	-	4,573.6	13,687.2	13,687.2
-	-	-	-	-	29.7	29.7
27,269.7	-	-	-	4,573.6	233,882.3	233,886.2
-	2,949.9	-	1,199.5	-	4,149.4	4,148.3
-	81,343.8	-	136,693.6	-	218,037.4	218,340.4
-	-	8,015.5	-	1,339.0	9,354.5	9,354.5
-	-	-	431.0	-	431.0	431.0
-	-	-	1,000.2	-	1,000.2	1,000.2
-	84,293.7	8,015.5	139,324.3	1,339.0	232,972.5	233,274.4

Certain disclosures regarding financial instruments recognised at fair value in the balance sheet.

The tables below provides information on how fair value was determined for the financial instruments valued at fair value in the balance sheet. The distribution of how fair value was determined takes place on the basis of the following three levels.

Level 1: valuation is made according to prices noted on an active market for the same instrument.

Level 2: valuation is made on the basis of directly or indirectly observable market data not included in level 1.

Level 3: value is determined on the basis of input data that are not observable in the market, with the company's own estimates playing a certain role.

2012	Level 1	Level 2	Level 3	Total
State bonds eligible as collateral	8,081.5	3,079.3	-	11,160.8
Lending	-	73,686.7	-	73,686.7
Bonds and other interest-bearing securities	20,299.6	23,833.9	160.2	44,293.7
Derivatives	9.9	9,354.3	1,693.2	11,057.4
Total	28,391.0	109,954.2	1,853.4	140,198.6
Liabilities to credit institutions	-	2,374.1	236.5	2,610.6
Securities issued	-	85,421.1	34,677.8	120,098.9
Derivatives	1.9	12,987.3	4,527.9	17,517.1
Total	1.9	100,782.5	39,442.2	140,226.6

During 2012 SEK 5,987.8 million was transferred from level 2 to level 1. This applies to government securities and institutions with government guarantees.

2011	Level 1	Level 2	Level 3	Total
State bonds eligible as collateral	5,177.0	5,464.5	-	10,641.5
Lending	-	51,785.7	-	51,785.7
Bonds and other interest-bearing securities	5,586.7	29,851.9	150.9	35,589.5
Derivatives	3.1	11,102.9	2,581.2	13,687.2
Total	10,766.8	98,205.0	2,732.1	111,703.9
Liabilities to credit institutions	-	2,721.2	228.7	2,949.9
Securities issued	-	48,717.8	32,626.0	81,343.8
Derivatives	4.7	7,371.8	1,978.0	9,354.5
Total	4.7	58,810.8	34,832.7	93,648.2

During 2011 SEK 2,775.0 million was transferred from level 2 to level 1. This applies to covered bonds.

Calculation of fair value

As only a small part of Kommuninvest's financial instruments are traded on an active market at listed prices as per level 1, accepted and well established valuation techniques are primarily used to determine fair value. These valuation techniques are based on observable market information in accordance with valuation level 2. The valuation techniques applied are based on discounted cash flows and prices from the primary and secondary markets. Financial instruments for which the valuation includes input data not observable in the market or in-house assessments have been classed at valuation level 3.

Lending

Fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted by current new lending margins. This calculation technique means that when the new lending margin rises, a lower fair value arises for previous lending, and vice versa. Kommuninvest's lending is focused solely on members of Kommuninvest Cooperative Society and to its members' majority-owned companies.

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

Investments traded on an active market are valued on the basis of quoted market prices and classified in level 1. For investments

where listed market prices do not derive from active trading, fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted on the basis of the issuer's credit risk. These investments are classified in level 2. Most of the investments are with the Swedish State, Swedish covered bonds, state-guaranteed financial institutions within the OECD and banks in the Nordic region. Kommuninvest holds no positions in structured credit products such as ABS, Asset-Backed Securities, or CDOs, Collateralised Debt Obligations.

Kommuninvest also has an investment in Exportfinans of Norway, which is valued according to level 3 due to its lack of observable market data.

Borrowing and borrowing derivatives

Since borrowing is hedged against the various market risks using borrowing derivatives, the same principles are applied in calculating the fair value of the company's borrowing and credit swaps based on the structure of the borrowing instruments and their market. Borrowing and derivatives have been measured at the applicable quoted swap rate, adjusted by relevant borrowing margins. Borrowing that contains features of the company's own assessments, is valued according to level 3. The same assessments have been made for both the borrowing itself and the matching credit swaps since they both have the same structure. Other borrowing and borrowing derivatives are valued according to level 2.

Changes in level 3

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

	Bonds and interestbearing securities	Derivative – assets	Derivative – liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2011	-	4,117.3	-2,439.5	-	-30,412.6	-28,734.8
Transfers from level 3	-	-353.2	174.0	0.0	2,115.0	1,935.8
Transfers to level 3	164.4	0.0	0.0	-196.0	0.0	-31.6
Recognised gains and losses:						
- recognised in income for the year	-13.5	-1,416.5	236.6	-32.7	1,235.7	9.6
Cost, acquisitions	-	-0.1	-0.6	-	-18,288.0	-18,288.7
Maturing during the year	-	233.7	51.5	-	12,723.9	13,009.1
Closing balance, 31 December 2011	150.9	2,581.2	-1,978.0	-228.7	-32,626.0	-32,100.6
Gains and losses recognised in income for the year for assets included in the closing balance as per 31 December 2011	-13.5	-285.8	-973.0	-32.7	1,188.1	-116.9
Opening balance, 1 January 2012	150.9	2,581.2	-1,978.0	-228.7	-32,626.0	-32,100.6
Recognised gains and losses:						
- recognised in income for the year	9.3	-891.3	-2,520.5	-7.8	3,464.8	54.5
Cost, acquisitions	-	3.3	-29.4	-	-17,199.5	-17,225.6
Maturing during the year	-	0.1	-	-	11,682.8	11,682.9
Closing balance, 31 December 2012	160.2	1,693.3	-4,527.9	-236.5	-34,677.9	-37,588.8
Gains and losses recognised in income for the year for assets included in the closing balance as per 31 December 2012	9.3	-1,137.9	-2,515.6	-7.7	3,731.0	79.1

Derivatives are reported as assets when they have a positive market value, and as liabilities when they have a negative market value.

Derivatives

Other derivatives are used to hedge currency and interest risks. Standardised derivatives in the form of FRA contracts traded in an active market are valued according to level 1. Non-standardised derivatives (OTC) are recognised at fair value according to level 2. Fair value has then been calculated via a discount of anticipated future cash flows, the discount rate being set to the current listed swap rate for the derivative. Derivatives are reported as assets when they have a positive market value, and as liabilities when they have a negative market value.

Significant assumptions and uncertainty factors

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

An increase in the lending margin by 10 basis points on receivables recognised at fair value would mean a negative change in income of SEK 180 (117) million. An increase in the borrowing cost by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 317 (213) million. A parallel displacement in the borrowing and lending price by 10 basis points would mean a change in income of SEK -/+137 (+/- 96) million.

A displacement of the valuation curve upwards or downwards by 10 basis points for the financial instruments valued according to level 3 would mean a change in income of SEK +/-87 (+/- 45) million.

All of the above changes pertain to the balance sheet date and are net of tax effects. Impact on equity relates to the tax effect. All market value effects are unrealised, and as Kommuninvest intends to hold its assets and liabilities to maturity, this means that these values will not normally be realised. Investments that may be made as part of normal management of liquidity and investments represent an exception as do investments necessitated by adjustments to internal and external regulations. Repurchases of borrowing instruments, which always take place on the investors' initiative, also lead to market values being realised.

Reclassification

Reclassification has taken place on 10 November 2008 of assets in the form of interest-bearing securities, recorded previously in the financial assets which can be sold to the category loans and receivables. As this reclassification has been made from financial assets which can be sold, the income statement is not affected by changes in value recorded in other comprehensive income. As per 31 December 2012, all reclassified investments had matured.

31 December 2012

This means that over the year, the fund for fair value had improved by SEK 6.5 million in respect of the reclassified securities.

Interest revenues amounting to SEK 11.1 (20.4) million were recognised in the income statement for the period 1 January - 31 December with regard to the reclassified assets.

	31 December 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
Interest-bearing securities	-	-	4,129.5	4,123.0

29 Capital adequacy

Capital adequacy

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, reputation risk and strategic risk. Kommuninvest has set an internal capital adequacy quota which includes all risks in the operation in accordance with Pillars 1 and 2 and also an additional risk area as a buffer for risks not calculated for Pillars 1 and 2. The quota is not permitted to fall below this level without the approval of the Board of Directors.

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 lending 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.

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 administration 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 3, §§ 1-2 and Chapter 4 of the regulations and general recommendations of the Swedish Financial Supervisory Authority regarding disclosure of information on capital adequacy and risk management (FFFS 2007:5). Other disclosures required by these regulations can be found on the Kommuninvest i Sverige AB's website: www.kommuninvest.org

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

Primary capital	2012	2011
Share capital	628.4	292.4
Statutory reserve	17.5	17.5
Profit brought forward	-36.8	191.6
Income for the year	320.6	300.6
Less deferred tax assets	-63.4	-7.2
Untaxed reserves	-	150.3
Total primary capital	866.3	945.2
Supplementary capital		
Perpetual debenture loan	866.3	945.2
Total supplementary capital	866.3	945.2
Total capital base	1,732.6	1,890.4
Capital requirement		
Credit risk in accordance with standardised method		
1. Exposures to states and central banks	-	-
2. Exposures to municipalities and comparable cooperatives	-	-
3. Institutional exposures	370.1	248.3
4. Corporate exposures	4.6	0.3
5. Other items	0.6	2.3
Total capital requirement for credit risks	375.3	250.9
Risks in trading operations		
Interest risks		
- Specific risk	0.6	1.3
- General risk	0.8	1.0
Total capital requirements for risks in trading operations	1.4	2.3
Operational risks		
Basic indicator method	79.1	77.5
Total capital requirement for operational risks	79.1	77.5
Foreign exchange risk		
Foreign exchange risk	0.5	0.1
Total capital requirement for foreign exchange risks	0.5	0.1
Total minimum capital requirement	456.3	330.8
Starting capital	48.0	48.0
Capital adequacy quota	3.80	5.71
Capital adequacy ratio	30.4%	45.7%

Capital basis

As per the end of the year, the capital base had been reduced through Group contributions to the Kommuninvest Cooperative Society, amounting to SEK 717.7 (382.6) million, to enable the distribution of surpluses by means of refunds and the Board of Directors' proposal for the appropriation of earnings whereby no dividend is proposed.

Five-year summary

SEK, million	2012	2011	2010	2009	2008
KEY RATIOS 2008-2012					
Growth					
Lending (change in %)	20.0	25.7	8.2	18.1	34.3
Net interest income (change in %)	35.0	32.5	13.1	151.3	91.0
Consolidation					
Capital base as % of balance sheet total	0.61	0.81	0.99	0.40	0.34
Adjusted capital base as % of balance sheet total ¹	0.95	0.95	0.99	0.40	0.34
Capital adequacy quota	3.80	5.71	10.09	4.24	3.35
Adjusted capital adequacy quota ¹	5.88	6.72	10.09	4.24	3.35
Capital adequacy ratio (%)	30.4	45.7	80.7	33.9	26.8
Adjusted capital adequacy ratio (%) ¹	47.0	53.7	80.7	33.9	26.8
Efficiency					
Administration expenses as % of lending ²	0.125	0.143	0.127	0.109	0.083
Administration expenses, excluding the stability fee, as % of lending ²	0.075	0.093	0.096	0.088	0.083
Administration expenses as % of balance sheet total ²	0.089	0.103	0.089	0.073	0.061
Administration expenses, excluding the stability fee, as % of balance sheet total ²	0.053	0.067	0.067	0.059	0.061
Lending/employee (SEK millions)	3,091.5	2,848.7	2,523.2	2,522.9	2,552.6
Change (%)	8.5	12.9	0.0	-1.2	21.2
Return					
Operating income after standard tax as % of average equity	20.20	32.28	23.45	38.32	12.06
Cost/income ratio					
Total expenses in relation to net interest and other operating income	0.32	0.42	0.39	0.35	0.57
Other information					
Number of employees at the end of the year	65	59	53	49	41

¹ Adjusted capital base: capital base adjusted for the capital injection from the Kommuninvest Cooperative Society, if the 2013 Annual General Meeting of the Society so decides regarding earnings for the current year. The capital injection related to earnings for 2012 is 768 million, consisting of group contributions of SEK 717.7 million and accrued earnings in the Kommuninvest Cooperative Society. The adjusted capital base is used to calculate the adjusted capital base as a percentage of the balance sheet total and to calculate the adjusted capital adequacy quota and the adjusted capital adequacy ratio.

² Administration expenses relates to general administration expenses, depreciation and other operating expenses.

SEK, million	2012	2011	2010	2009	2008*
INCOME STATEMENT 1 January - 31 December					
Net interest income	771.7	572.6	432.1	382.1	152.1
Commission expenses	-8.5	-8.6	-4.4	-3.5	-3.6
Net result of financial transactions	-267.1	72.1	17.2	90.6	13.9
Other operating income	4.6	0.1	0.3	0.2	0.3
Total revenues	500.7	636.2	445.1	469.4	162.7
General administration expenses	-244.0	-230.0	-160.5	-127.8	-80.6
Depreciation	-2.7	-2.5	-2.7	-1.8	-1.6
Other operating expenses	-5.0	-7.6	-6.2	-4.8	-5.2
Total expenses	-251.7	-240.1	-169.4	-134.4	-87.4
Operating income	249.1	396.1	275.7	335.0	75.3
Appropriations, net	204.0	13.9	-83.2	-82.5	-11.6
Taxes	-132.5	-109.4	-51.9	-81.9	-19.2
Income for the year	320.6	300.6	140.6	170.6	44.5
	2012	2011	2010	2009	2008*
BALANCE SHEET SUMMARY AS AT 31 December					
Cash	0.0	0.0	0.0	0.0	0.0
State bonds eligible as collateral	11,160.8	10,841.7	12,887.7	20,912.3	1,879.6
Lending to credit institutions	15,618.6	1,734.5	1,697.6	1,851.2	2,440.0
Lending	200,950.7	168,070.5	133,729.1	123,624.1	104,658.2
Bonds and other interest-bearing securities	44,293.7	39,518.7	28,759.5	25,604.1	17,631.6
Shares and participations	33.7	1.3	1.0	0.7	0.3
Shares in associated companies	0.5	0.5	0.5	0.5	0.5
Derivatives	11,057.4	13,687.2	13,024.0	11,105.3	16,094.3
Tangible assets	5.6	6.7	6.9	3.6	4.4
Other assets	149.9	148.3	67.5	19.3	25.9
Prepaid expenses and accrued revenues	12.7	19.0	26.4	7.1	3.7
Total assets	283,283.6	234,028.4	190,200.2	183,128.2	142,738.5
Liabilities to credit institutions	5,610.4	4,149.4	3,438.9	7,348.1	5,390.2
Securities issued	257,257.3	218,037.4	173,851.9	164,696.1	126,106.1
Derivatives	17,517.2	9,354.5	10,794.2	9,873.0	10,675.0
Other liabilities	818.4	455.4	66.4	349.6	40.4
Accrued expenses and prepaid revenues	125.2	111.5	44.1	35.6	13.5
Provisions for pensions and similar obligations	2.1	1.6	1.2	0.9	0.4
Subordinated liabilities	1,000.3	1,000.2	1,002.9	-	-
Total liabilities and provisions	282,330.9	233,110.0	189,199.5	182,303.3	142,225.6
Untaxed reserves	-	204.0	217.9	134.7	52.2
Equity	952.7	714.4	782.8	690.2	460.7
Total liabilities, provisions and equity	283,283.6	234,028.4	190,200.2	183,128.2	142,738.5

* According to earlier accounting standards.

Proposed Distribution of Earnings

The Board of Directors and President propose that:

the profit for the year	320,556,012
profit brought forward	-36,794,179
fair value reserve	23,098,248
total	306,860,081

be appropriated as follows

To be carried forward	306,860,081
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Applicable rules for capital adequacy and major exposures mean that Kommuninvest must at all times have a capital base which at least corresponds to the total of the capital requirements for credit risks, market risks and operational risks, and should also encompass the estimated capital requirements for other risks identified in the operation

in accordance with Kommuninvest's internal capital assessment policy. Kommuninvest's capital adequacy quota after the proposed allocation of profits amounts to 3.80 (5.71). The capital base amounts to SEK 1,733 (1,890) million after the proposed allocation of profits, and the final minimum capital requirement amounts to SEK 456 (331) million. A specification of items can be found in the note 29 on capital adequacy.

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.

Örebro, 25 February 2013

Ellen Bramness Arvidsson
Deputy Chairman

Lorentz Andersson
Board Member

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Catharina Lagerstam
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Anders Pelander
Employee representative

Tomas Werngren
President and CEO

Our Audit Report was submitted on 25 February 2013
Ernst & Young AB

Peter Strandh
Authorised Public Accountant

Audit Report

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

Report on the annual accounts

We have audited the annual accounts of Kommuninvest i Sverige AB (publ) for 2012. The annual accounts are included in this document on pages 10-60 with the exception of the Corporate Governance Report on pages 26-33.

Responsibilities of the Board of Directors and the President for the annual accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and for such internal controls as the Board of Directors and the President determine are necessary to enable the preparation of annual accounts that are free of material misstatement, regardless of whether this is due to fraud or errors.

Responsibility of the Auditor

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Kommuninvest i Sverige AB as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the Corporate Governance Report on pages 26-33. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Company.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have

examined the proposed appropriations of the Company's profit or loss and administration of the Board of Directors and the President of Kommuninvest i Sverige AB (publ) in 2012. We have also conducted a statutory examination of the Corporate Governance Report.

Responsibility of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. The Board of Directors and the President are responsible for the administration of the Company in accordance with the Companies Act and the Banking and Financing Business Act and that the Corporate Governance Report presented on pages 26-33 is prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Responsibility of the Auditor

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the Company's profit or loss and the administration of the Company based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As the basis for our opinion on the Board of Directors' proposal regarding the appropriation of the Company's profit or loss, we have considered whether or not the proposal is consistent with the Swedish Companies Act.

As the basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the President is liable to the Company. We also examined whether any member of the Board of Directors or the President 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the Corporate Governance Report and based on that reading and our knowledge of the Company, we believe that we have obtained a sufficient basis for our statement. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Statements

We recommend that the Annual General Meeting appropriate the Company's profits in accordance with the proposal presented in the Board of Directors' Report and that the Meeting discharge the Members of the Board of Directors and the President from liability for the financial year. A Corporate Governance Report has been prepared and its statutory content is consistent with the other parts of the annual accounts.

Örebro, 25 February 2013, 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 of Directors 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 assess 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, Chairman of the Board and the authorised auditors, the audit has been made with the focus and scope necessary to give a reasonable basis for opinion and assessment.

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 , 25 February 2013

Niklas Sjöberg

Anita Bohman



**KOMMUNINVEST
OF SWEDEN**

Local Government Debt Office

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