



KOMMUNINVEST

Svenska kommuner och landsting i samverkan

Corrected information in Kommuninvest interim report 2015

A number of items relating to capital adequacy has been corrected after the publication of the interim report. The correction was carried out on 14 September and relates to Capital requirement for credit valuation adjustment, Total risk exposure amount, Core Tier 1 capital ratio and Total capital ratio.

Corrected data can be found on Kommuninvest's web site, www.kommuninvest.org, see Investor relations -> Financial information and reports -> Capital adequacy.

KOMMUNINVEST I SVERIGE AB

Interim report

2015

Kommuninvest i Sverige AB

1 January – 30 June

- Total assets SEK 350,850.2 (312,052.1) million
- Lending, SEK 242,088.9 (222,803.7) million
- Net interest income SEK 370.6 (466.7) million
- Operating profit SEK 68.9 (419.0) million
- Operating profit excluding the effect of unrealised market value changes was SEK 245.4 (326.3) million
- Core Tier 1 capital ratio¹ 42.1 (34.6) %
- Tier 1 capital ratio² 42.1 (34.6) %
- Total capital ratio³ 60.2 (49.3) %
- Equity SEK 3,070.7 (2,375.4) million
- Leverage ratio according to CRR⁴ 0.67 (0.76) %
- Leverage ratio including debenture loan⁵ 0.96 (1.09) %
- Market share 48 (44) % of the local government sector's total borrowing
- Kommuninvest Cooperative Society had a total 280 (280) members at the end of the period, of which 272 (272) municipalities and 8 (8) county councils/regions.

1) Core Tier 1 capital in relation to total risk exposure.

2) Tier 1 capital in relation to total risk exposure.

3) Total capital base in relation to total risk exposure.

4) Tier 1 capital in relation to total assets and commitments (exposures), reported in accordance with European Parliament and Council regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

5) Tier 1 capital and debenture loan issued to the Kommuninvest Cooperative Society in relation to total assets and commitments (exposures).



KOMMUNINVEST

ABOUT KOMMUNINVEST We secure better loan terms together than individually. Based on this simple idea, 280 municipalities and county councils/regions participate in an efficient and stable financial partnership. Kommuninvest is the local government sector's largest credit provider and manages approximately 50 percent of total local government debt.

www.kommuninvest.org

Interim Report for Kommuninvest i Sverige AB (publ)

This is the interim report for the credit market company Kommuninvest i Sverige AB (Kommuninvest).

Corporate identity number: 556281-4409

Registered office: Örebro

1 January–30 June 2015

Comparative earnings figures relate to the preceding six month period (1 January – 30 June 2014) unless otherwise indicated. Comparative balance sheet and risk- and capital-related figures relate to 31 December 2014 unless otherwise indicated.

Comment from the CEO

Sweden's population growth in recent years has been among the most rapid in modern times. Combined with increased migration into the cities and an aging population, this imposes increased demands on the local government sector. The need to invest in new and upgraded infrastructure in the form of housing, property and energy facilities lies behind the record-high level of investment in the sector.

Given the considerable need for financing, it is important that the sector be afforded fair opportunities to collaborate on financial issues. We are working to ensure that future EU regulations, in the form of the leverage ratio that will come into effect as of 2018, take into account the type of risk profile, business model and guarantee system that Kommuninvest represents.

Our lending increased by 9 percent during the period, partly due to the increased investments in the sector, but also due to the revised model for the build-up of capital, formally adopted by the Annual General Meeting of the Society in April. The model enables pricing with no margin for the build-up of capital.

Increasingly, the future build-up of capital will take place through special member contributions, rather than the accumulation of profits. Certain members have already given formal notification that they will pay in their special member contributions later this year.

During June and July, Greece's financial situation dominated the news flow. The events illustrate the importance of credit institutions maintaining financial stability and a borrowing strategy able to cope with even greater disruptions – and Kommuninvest has these in place. With our strong liquidity buffer, exceptional low-risk profile and status as a monetary counterparty to the Riksbank, we have pillars on which to safeguard local government financing even in troubled times.

The debt management system that we have developed for the sector, Kommuninvest



Tomas Werngren, CEO

Finansstöd, is now used by more than 100 local governments. The system is designed specifically for the municipal sector and has clear advantages in both debt management, as well as for internal and external reporting. I am delighted that knowledge is becoming an increasingly important part of our offering to customers.

Towards the end of the period, we launched Green loans, an opportunity for our customers to secure eco-labelling on loans to investment projects with a positive environmental impact. The product is well suited to the local government authorities' environmental ambitions and is attracting strong interest.

Tomas Werngren
President and CEO

Market

The world economy and the financial markets

The world economy continued its recovery during the first half of the year, fuelled by massive central bank stimuli in a number of countries. However, there remains considerable uncertainty as to what effects the Greek crisis, which escalated towards the end of the reporting period, will have on the economic trend over the remainder of the year. Global growth is expected to reach 3–3.5 percent in 2015, according to the IMF and the OECD.

The Swedish economy is growing at a healthy pace, driven by rising housing construction and consumption. The recovery in Western Europe is contributing to a recovery in industrial output and exports. Low inflation and rising employment mean that households' real income is increasing. Underlying uncertainty regarding both the world economy and economic policy conditions at home are hampering development. In its June forecast, the National Institute of Economic Research estimated that Swedish GDP will grow by 3 percent over 2015.

The economy of the local government sector continues to develop favourably, with an expected surplus of 1.5 percent in 2015 at the aggregate level, according to the Swedish Association of Local Authorities and Regions, SALAR. However, there are considerable dif-

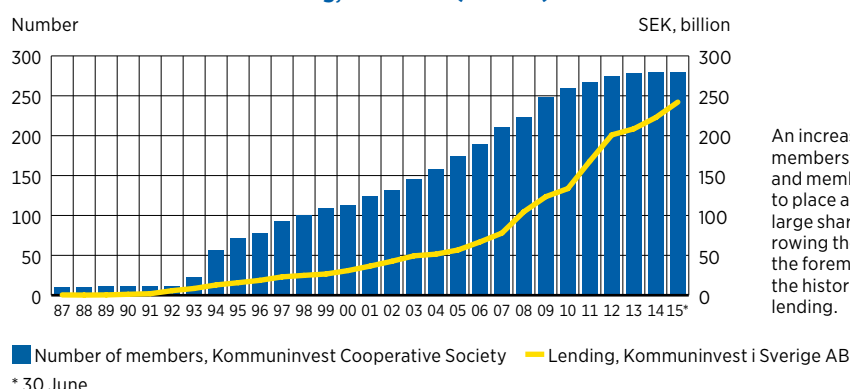
ferences between the local government authorities and the results are buoyed up by non-recurring income items, principally in the form of refunds from AFA Insurance. In addition, the growing population and demographic changes impose increased demands on the sector, which is now investing heavily.

During the year, the global equity markets have been characterised by falling interest rates and good access to liquidity, underpinned by the central banks' extensive monetary stimuli. The extreme low-interest environment may have bottomed out in the second quarter, when the fixed income markets experienced a historic rebound, with very rapidly rising long-term interest rates on, for example, German government securities. Despite the increased volatility, Swedish municipalities and county councils/regions' borrowing via Kommuninvest has been able to continue on favourable terms. One reason is Kommuninvest's diversified borrowing strategy, with opportunities to optimise borrowing markets and instruments.

Ownership situation

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

Number of members and lending, 1987–2015 (30 June)



An increased number of members in the Society, and members choosing to place an increasingly large share of their borrowing the Company, are the foremost reasons for the historical growth in lending.

At 30 June 2015, the Society had 280 (280) members, of which 272 (272) were municipalities and 8 (8) were county councils/regions. Consequently, 94 (94) percent of Sweden's municipalities and 40 (40) percent of Sweden's county councils/regions were members (partners) in the Society. No new members were added during the first half of 2015.

Resolutions by the Annual General Meeting of the Society

The Annual General Meeting was held on 16 April 2015 in Stockholm. As at the 2014 Annual General Meeting, the Annual General Meeting made a number of decisions related to the future build-up of capital in the Group.

Combined, the decisions aim to prepare the Group for the introduction, in the EU, of a new capital requirement for financial institutions, leverage ratio, effective from 2018. The definitive notification of the design of the leverage ratio requirement is expected from the European Commission during 2016.

The resolutions by the Annual General Meeting addressed amendments to the Society's statutes and entail in brief:

1. A reformed system of member contributions
2. New forms of capital
3. New solution for extraordinary capital situations.

Since the resolutions on amendments to the statutes have been adopted at two consecutive general meetings of the Society, they are legally valid under association law.

Kommuninvest's lending

Once again, during the first half of 2015, Swedish local government authorities have been able to meet their borrowing needs efficiently, both through Kommuninvest and through banking systems and capital markets.

As per 30 June, Kommuninvest's lending amounted to SEK 242,088.9 (222,803.7) million. In nominal terms, lending was at SEK 238,073.8 (218,416.3) million, an increase of 9 (6) percent. Kommuninvest's competitiveness, expressed as a percentage of accepted bids, rose. Based on volume, bid acceptance for the first half of 2015 amounted to 92 (79) percent.

Of the total lending, municipalities and county councils/regions accounted for 42 (41) percent, municipal housing companies for 29 (29) percent and other municipal companies for 29 (30) percent.

The period's contracted lending, that is new loans and renewals of existing loans, consisted of 78 (84) percent loans with capital tied up for more than a year and 22 (16) percent loans with capital tied up for one year or less. Loans with capital tied up for one to three

Multi-year summary, Kommuninvest i Sverige AB

	30 June 2015	30 June 2014	31 December 2014	31 December 2013
Total assets, SEK, million	350,850.2	286,672.2	312,052.1	277,458.7
Lending, SEK, million	242,088.9	210,760.3	222,803.7	208,644.0
Net profit for the period, SEK, million	53.3	326.7	568.4	590.7
Members, total	280	279	280	278
of which, municipalities	272	271	272	270
of which county councils/regions	8	8	8	8
Core Tier 1 capital ratio ¹ , %	42.1	35.6	34.6	37.0
Tier 1 capital ratio ² , %	42.1	35.6	34.6	37.0
Total capital ratio ³ , %	60.2	50.7	49.3	59.5
Leverage ratio according to CRR ⁴ , %	0.67	0.82	0.76	0.57
Leverage ratio ratio including debenture loan ⁵ , %	0.96	1.16	1.09	0.91

1) Core Tier 1 capital in relation to total risk exposure

2) Tier 1 capital in relation to total risk exposure

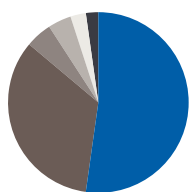
3) Total capital base in relation to total risk exposure

4) Tier 1 capital in relation to total assets and commitments (exposures)

5) Tier 1 capital and debenture loan issued to the Society in relation to total assets and commitments (exposures)

Borrowing per currency 1 January–30 June 2015

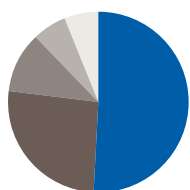
(excl. commercial paper borrowing)



SEK 53 (63) %
 USD 34 (22) %
 JPY 5 (4) %
 EUR 4 (7) %
 CAD 3 (0) %
 Other 2 (3) %

Borrowing per programme, 1 January–30 June 2015

(excl. commercial paper borrowing)



Swedish Benchmark Programme 51 (61) %
 USD Benchmark 26 (21) %
 Private Placements 11 (11) %
 Public Bonds 6 (0) %
 Uridashi 6 (6) %

years accounted for 40 (49) percent of the total volume. At the end of the period, the average period for which capital was tied up in the Company's lending portfolio was 2.3 (2.2) years. Kommuninvest's share of local government sector borrowing is estimated at 48 (44) percent as per 30 June 2015.

Kommuninvest Finansstöd (KI Finans), a debt management system developed specially for the local government sector, was launched by Kommuninvest in 2014. KI Finans offers enhanced functionality at lower cost compared with other systems on the market. By the end of the period, 104 (82) members had elected to sign up for the system.

Kommuninvest's borrowing

Kommuninvest's lending is financed by means of short and long borrowing programmes on national and international capital markets. The funding strategy is based on diversified funding, in terms of funding markets, investor categories, funding currencies and borrowing products. All borrowings not denominated in SEK are swapped to floating interest rate in SEK, EUR or USD.

Kommuninvest belongs to the group of issuers with the highest possible credit rating and stable outlook. Furthermore, bonds issued by Kommuninvest are classified as so-called Level 1 in calculating the liquidity coverage ratio (LCR), in the EU and Switzerland.

Favourable demand for low-risk issuers made it possible for Kommuninvest to continue borrowing liquidity on favourable terms in the first half of 2015. At the end of the period, total borrowing amounted to SEK 332,596.0 (297,118.6) million. Over the

period, SEK 64,494.2 (33,061.7) million was borrowed in long-term debt instruments with maturities of more than one year.

Kommuninvest is working actively to increase its borrowing in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. During the period, a major benchmark borrowing in USD was implemented, gaining a good reception from Kommuninvest's core investors – central banks, public institutions and so-called bank treasuries.

In the Swedish bond programme a total of SEK 32,654.0 (20,346.9) million was issued. In part, a new bond K 2109 was issued, maturing in 2021 and, in part, additional issues were made of existing outstanding bonds.

At the end of the period, the average maturity on the Company's outstanding borrowing was 5.1 (5.7) years, on the condition that cancellable loans are maintained to maturity. If the earliest possible cancellation date is applied in the calculation, the average maturity was 4.4 (4.4) years. In connection with cancellable borrowing, the investor has the right, under certain conditions, to request premature repayment of loaned funds.

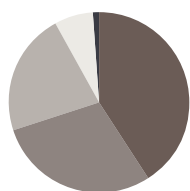
Rating

Since 2002 and 2006 respectively, Kommuninvest holds the highest credit ratings for long-term borrowing, Aaa from Moody's and AAA from Standard & Poor's. In June 2015, the rating agencies confirmed Kommuninvest's credit rating, with a stable outlook. Kommuninvest also holds the highest possible rating for short-term borrowing.

Financial accounts

Lending portfolio by borrower category

30 June 2015



- Municipalities
41 (40) %
- Municipal housing
companies 29 (29) %
- Other municipal
companies 22 (21) %
- Municipal energy
companies 7 (8) %
- County councils/
regions 1 (1) %

Kommuninvest's largest borrower groups are municipalities and municipal housing companies. At 30 June 2015, they accounted for 70 (69) percent of the total lending.

Results

The operating profit (profit before taxes) amounted to SEK 68.9 (419.0) million. The operating profit includes unrealised changes in market value of a negative SEK 176.5 (pos. 92.7) million. Operating profit excluding the effect of unrealised market value changes was SEK 245.4 (326.3) million. Profit after taxes amounted to SEK 53.3 (326.7) million.

Total operating income decreased by 63 percent to SEK 211.0 (562.4) million. Operating income includes net interest revenues, commission expenses, net result of financial transactions and other operating income.

Net interest income decreased by 21 percent to SEK 370.6 (466.7) million. A little more than half of the decline was attributable to the decrease in lending margins that was implemented in September 2014 due to a change of direction in the build-up of capital. The remainder of the decrease is explained by sales of bonds in the liquidity reserve with a short remaining maturity, where original interest rate hedging swaps are held to maturity. This has entailed lower net interest income but greater realised gains, which are reported under net result of financial transactions.

The net result of financial transactions for the period was a negative SEK 158.1 (pos. 97.8) million. The result was primarily affected by unrealised changes in market value amounting to a negative SEK 176.5 (pos. 92.7) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed SEK 57.8 (4.1) million to the figure.

The negative unrealised market value changes are due to an increase in margin

between funding in foreign currencies and lending in SEK during the period, and that borrowing in foreign currencies is reported at fair value. The margin between funding in SEK and lending has decreased, but since funding in SEK is not reported at fair value, this has no impact on changes in market value.

Expenses amounted to SEK 142.1 (143.4) million, including the stability charge of SEK 57.1 (57.6) million. The stability fee is calculated based on the size of the balance sheet. The stability fee accounted for 40 (40) percent of the Company's total costs for the period. Excluding the stability charge, expenses amounted to SEK 85.0 (85.8) million, of which personnel expenses accounted for SEK 51.4 (49.6) million and other expenses for SEK 33.6 (36.2) million.

Credit losses

Credit losses totalled SEK – (–) million.

Financial position

Total assets increased to SEK 350,850.2 (312,052.1) million at the end of the period, mainly due to increased lending, but also an increase in the liquidity reserve.

Lending

At the end of the period, the Company's lending amounted to SEK 242,088.9 (222,803.7) million. In nominal terms, lending was SEK 238,073.8 (218,416.3) million. The increase is explained by the local government sector's increased borrowing needs and Kommuninvest's improved competitiveness as a result of reduced lending margins.

Funding

Borrowing amounted to SEK 332,596.0 (297,118.6) million at the end of the period. The Company’s borrowing takes place in the form of issued bonds (for terms of over 1 year) and commercial paper programmes (for terms of less than 1 year). The Company acts over terms of between 1 day and 30 years and focuses primarily on financial instruments with fixed or floating interest.

Liquidity reserve

At the end of the period, the Company’s liquidity reserve amounted to SEK 81,588.2 (65,200.7) million, corresponding to 34 (29) percent of its lending. According to Kommuninvest’s guidelines, the liquidity reserve should amount to between 20 and 40 percent of the lending volume.

Most of the investments are in securities issued by the Swedish State, state-guaranteed financial institutions within the OECD and banks in the Nordic region. A considerable proportion of the investments are made in assets that can be pledged with the Swedish Riksbank and the European Central Bank, ECB. Investments may only be made with counterparties with a credit rating of at least A2 from Moody’s and/or A from Standard & Poor’s. Investments may also be made in securities issued by Swedish municipalities and county councils/regions.

Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Any changes in the market value of the derivatives contracts are offset by changes in the market value of the borrowing and lending portfolios. Derivatives with positive and negative market value amounted to SEK 26,926.1 (23,848.8) million and SEK 13,864.4 (10,628.3) million respectively.

Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Society. Including accrued interest, the loan amounted to SEK 1,000.0 (1,000.1) million.

Equity

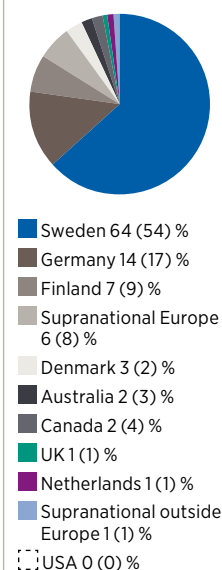
At the end of the period, equity amounted to SEK 3,070.7 (2,375.4) million. In addition to the result for the period and the payment of capital contributions, equity was impacted by changes in market values for assets classified as “financial assets available for sale” (see Statement of changes in equity on page 14).

Share capital

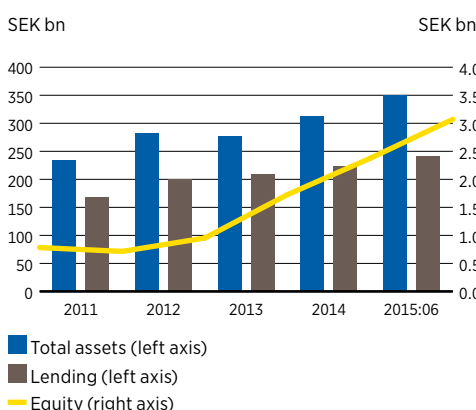
By means of the authorisation granted to the Board of the Association by the Annual General Meeting, the share capital in the Company rose by SEK 680.0 million over the period through new issues, compared to SEK 650.0 million in 2014. At the end of the period, the share capital amounted to SEK

Liquidity reserve distributed by issuer domicile

30 June 2015

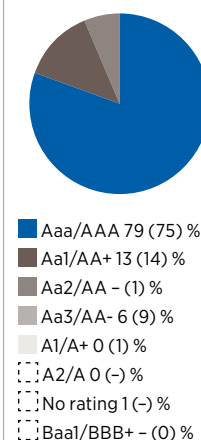


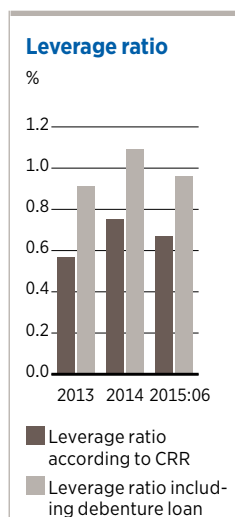
Kommuninvest’s balance sheet



Liquidity reserve distributed by rating category

30 June 2015





2,726.4 (2,046.4) million, distributed over 27,263,850 (20,463,850) shares.

Capital adequacy

The Company is well-capitalised to meet the risks inherent in its operations. Core Tier 1 capital amounted to SEK 2,322.0 (2,345.7) million, entailing a core Tier 1 capital ratio of 42.1 (34.6) percent. The total capital base was SEK 3,322.0 (3,345.7) million, which gave a total capital ratio of 60.2 (49.3) percent.

The increase in Kommuninvest’s share capital was registered with the Swedish Companies Registration Office on 24 June 2015. According to European Parliament and Council regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR) Kommuninvest may not classify the increase in share capital as core Tier 1 capital until Finansinspektionen (the Swedish Financial Supervisory Authority) has given its approval. An application for permission to classify the increase in share capital as core Tier 1 capital was submitted to Finansinspektionen on 24 June 2015. The application was approved on 24 August 2015.

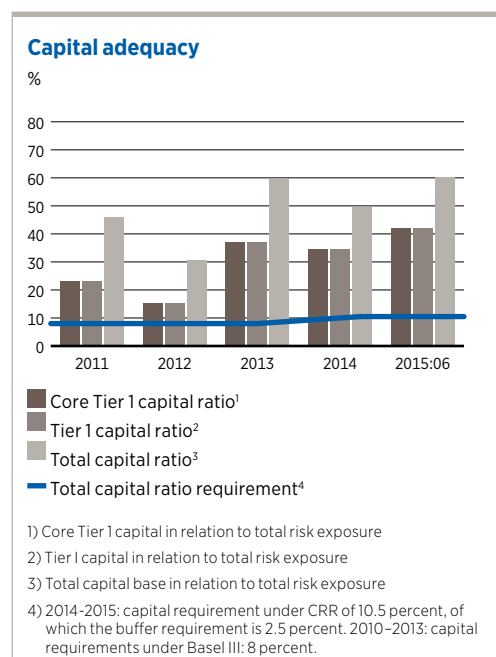
Future regulatory requirements – leverage ratio

Effective from 1 January 2018, the new capital adequacy measure leverage ratio will be introduced in the EU on the condition that the Council of the European Union and the European Parliament agree to this after having read the report to be issued by the European Commission by 31 December 2016. Leverage ratio must be reported to the relevant authorities effective from 2014.

The Society bears the principal responsibility for the Group’s capitalisation. The Society’s plan is based on the capitalisation of the Group and the Company being raised to a level corresponding to a leverage ratio of 1.5 percent – a level for low-risk institutes that has been discussed within the European Parliament. In the event that the final leverage ratio requirement is set higher than 1.5 percent, the Society’s plan initially is to issue other Tier 1

capital instruments in the form of debenture loans or voluntary forms of participation capital applicable to Swedish economic associations: “överinsats” or “förlagsinsats” (the latter of which may also be offered to other investors if so approved by the members of the Society). The leverage ratio is defined as the ratio between Tier 1 capital and total exposure in assets and commitments. Further information on how the Company calculates its exposures can found on page 30 in the 2014 Annual Report.

As per 30 June 2015, the Company’s leverage ratio, reported according to CRR, was 0.67 (0.76) percent. Including the debenture loan of SEK 1 billion that the Company issued to the Society in 2010, the leverage ratio was 0.96 (1.09) percent. However, the terms of the debenture loan are such that it may not be included as Tier 1 capital under CRR. The Company intends to replace the existing subordinated loan with a new one or with another capital form that is eligible for inclusion as primary capital well in advance of year-end 2017.



1) Core Tier 1 capital in relation to total risk exposure
 2) Tier 1 capital in relation to total risk exposure
 3) Total capital base in relation to total risk exposure
 4) 2014-2015: capital requirement under CRR of 10.5 percent, of which the buffer requirement is 2.5 percent. 2010-2013: capital requirements under Basel III: 8 percent.

Risks and uncertainty factors

In its business, the Company 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 in the capital market, including interest rate development and the liquidity situation, along with the willingness to invest in various markets, may affect the Company. If the Company is unable to recruit and retain qualified employees, this may restrict the Company's competitiveness and opportunities for development.

Risk management

The Company'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/regions or borrowers guaranteed by local government authorities and therefore carries a zero risk weight from the perspective of capital coverage.
- The members of the Kommuninvest Cooperative Society, Kommuninvest's owners, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- The Company conducts no deposit or active trading operations.

At the end of the period, the Company's total credit risk exposure amounted to SEK 324,138.6 (299,973.3) million. Of the exposure, 75 (77) percent was related to lending to Swedish municipalities and county councils/regions; 25 (22) percent was related to investments in securities issued by sovereign states or other issuers, and 0 (1) percent was related to exposure to derivatives counterparties.

In order to ensure good liquidity, the Company's liquidity reserve is primarily held in sovereign securities, with a concentration to

Sweden and northern Europe. The composition of the liquidity reserve as per 30 June 2015 is shown in the chart on page 8.

Counterparty risk is limited by entering into contracts with counterparties with high creditworthiness. New counterparties are required to have a credit rating of at least A2 from Moody's and/or A from Standard & Poor's, as well as established ISDA and CSA agreements (Credit Support Annex).

ISDA agreements guaranteeing the right to early redemption if the counterparty's creditworthiness deteriorates, have been established with all derivative counterparties. See also Note 2.

CSA agreements cover a considerable portion of the counterparty risks. CSA agreements regulate the right to secure collateral to eliminate the exposure arising through derivative transactions. As of 30 June 2015 CSA agreements had been established with 20 out of 24 counterparties with whom Kommuninvest has outstanding contracts. Based on nominal amounts, 98 (97) percent of the contracts, were covered by CSA agreements.

As per 30 June 2015, counterparty exposure to derivative counterparties amounted to SEK 468.6 (2,526.4) million after netting for each counterparty and net of collateral.

A description of the Company's risk exposure and risk and capital management is found in the 2014 Annual Report, pages 19–29. No material changes to this description has occurred since its publication.

Employees and the environment

During the period, the number of employees increased by 5 to 82 (77 as per 31 December 2014). The average number of employees during the period, based on number of working hours, was 74 (74 in 2014). The Company does not conduct any operations requiring a licence under Sweden's Environmental Code. The Company has an environmental policy that it adopted in earlier years.

Events after the balance sheet date

Following the balance sheet date, loans to Samkraft AB totalling SEK 63.9 million, excluding interest, matured for payment. The loans, which were guaranteed by nine member municipalities through a specific guarantee undertaking, originally matured in June 2015. Since payment was not received following a deferred payment period, Kommuninvest has requested payment from the guarantors. All guarantors have fulfilled their payment commitment.

Following a decision by the Company's Board of Directors, a new organisation was introduced effective from 1 September, intended to more effectively meet customer needs, enhance the integration of information technology into the operations and to develop management support. Among other things, the changes entail the Chief Information Officer (CIO) joining the management team and a Chief of Staff position being introduced. From 1 September 2015, the executive management team consists of the CEO, the Deputy CEO, the CFO, the CRO, the CIO and the Chief of Staff.

The Company's application for permission to classify the increase in share capital, SEK 680.0 million, as core Tier 1 capital was approved by Finansinspektionen on 24 August 2015.

No other significant events have occurred after the balance sheet date.

Equity – build-up of capital and distribution of surplus

In accordance with the Society's owner directives, capital in the Company is being built up over the long term through profit accumulation. From 2011, the build-up of capital has involved profit accumulation, although, in the future, it will also involve direct capital contributions from members of the Society and possibly other forms of capital.

Decisions regarding the distribution of surpluses are made at the Annual General Meeting of the Society. Surpluses are distrib-

uted through group contributions from the Company 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 distribution of surpluses is not associated with any conditions for members, or with any repayment liability or liability to pay new capital contributions. The 2015 Annual General Meeting of the Society approved the payment of SEK 679.5 (696.5) million in surplus distribution. Payment was effectuated in May.

The Annual General Meeting of the Society also determines whether members are to pay new capital contributions. Capital contributions paid to the Society can be used to reinforce the capital base in the Company. At the Society's board meeting following the 2015 Annual General Meeting, a decision was made that SEK 679.5 (696.5) million in new capital contributions would be paid in. All members have chosen to participate.

The Board of Directors of the Society resolved that SEK 680.0 million should be injected into the Company as new share capital.

Board of Directors

At the Annual General Meeting on 16 April 2015, Ellen Bramness Arvidsson was re-elected as Chairman of the Board. The other members of the Board are Kurt Eliasson, Anna von Knorring, Erik Langby, Anna Sandborgh, Johan Törngren and Anders Pelander (employee representative).

Management

Over the first six months of 2015, the Company's executive management team consisted of Tomas Werngren (President and CEO), Maria Viimne (Deputy CEO), Johanna Larsson (CFO), Michael Jansson (Head of Human Resources), Britt Kerkenberg (CRO) and Hans Wäljamets (COO).

Income statement

SEK, million	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Interest revenues	975.4	2,059.3	3,650.8
Interest expenses	-604.8	-1,592.6	-2,735.6
NET INTEREST INCOME	370.6	466.7	915.2
Commission expenses	-2.7	-2.4	-5.1
Net result of financial transactions	-158.1	97.8	101.9
Other operating income	1.2	0.3	1.3
TOTAL OPERATING INCOME	211.0	562.4	1,013.3
General administration expenses	-138.7	-140.1	-274.7
Depreciation of intangible assets	-0.4	-	-0.4
Depreciation of tangible assets	-1.0	-1.6	-2.9
Other operating expenses	-2.0	-1.7	-5.9
TOTAL EXPENSES	-142.1	-143.4	-283.9
OPERATING PROFIT	68.9	419.0	729.4
Tax expense	-15.6	-92.3	-161.0
NET PROFIT FOR THE PERIOD	53.3	326.7	568.4

Statement of comprehensive income

SEK, million	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
NET PROFIT FOR THE PERIOD	53.3	326.7	568.4
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to the income statement			
Available-for-sale financial assets	-48.7	5.9	0.8
Available-for-sale financial assets, transferred to the income statement	-	-	-6.8
Tax attributable to items that may subsequently be reclassified to the income statement	10.7	-1.3	1.3
OTHER COMPREHENSIVE INCOME	-38.0	4.6	-4.7
TOTAL COMPREHENSIVE INCOME	15.3	331.3	563.7

Balance sheet

SEK, million	Note	30 June 2015	30 June 2014	31 December 2014
ASSETS				
Sovereign bonds eligible as collateral	1	28,260.3	15,146.2	15,204.1
Lending to credit institutions	1, 2	5,116.2	4,978.4	4,022.1
Lending	1	242,088.9	210,760.3	222,803.7
Bonds and other interest-bearing securities	1	48,211.7	44,698.2	45,974.5
Shares and participations		2.6	2.2	2.4
Shares and participations in associated companies		0.5	0.5	0.5
Shares and participations in subsidiaries		32.0	32.0	32.0
Derivatives	1, 2	26,926.1	10,862.7	23,848.8
Intangible assets		3.1	1.4	1.6
Tangible assets		5.5	7.0	6.0
Current tax assets		117.3	122.1	79.0
Other assets	1	14.8	18.4	14.9
Deferred tax assets		54.6	32.9	54.6
Prepaid expenses and accrued revenue		16.6	9.9	7.9
TOTAL ASSETS		350,850.2	286,672.2	312,052.1
LIABILITIES, PROVISIONS AND EQUITY				
Liabilities to credit institutions	1	2,382.9	6,618.4	4,800.6
Securities issued	1	330,213.1	265,910.1	292,318.0
Derivatives	1, 2	13,864.4	10,114.7	10,628.3
Other liabilities	1	125.6	139.9	789.9
Accrued expenses and prepaid revenues		190.3	177.4	136.8
Provisions		3.2	2.8	3.0
Subordinated liabilities	1	1,000.0	1,000.0	1,000.1
Total liabilities and provisions		347,779.5	283,963.3	309,676.7
Equity				
Restricted equity				
Share capital (27,263,850 shares, quoted value SEK 100)		2,726.4	2,046.4	2,046.4
Statutory reserve		17.5	17.5	17.5
Unrestricted equity				
Fair value reserve		-25.4	21.9	12.6
Profit brought forward		298.9	296.4	-269.5
Net profit for the period		53.3	326.7	568.4
Total equity		3,070.7	2,708.9	2,375.4
TOTAL LIABILITIES, PROVISIONS AND EQUITY		350,850.2	286,672.2	312,052.1
Memorandum items				
Collateral pledged		19,675.2	21,029.5	21,669.2
Contingent liabilities		None	None	None
Obligations				
Committed undisbursed loans		2,245.3	5,377.8	3,783.5

Statement of changes in equity

SEK, million	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Fair value reserve ¹	Profit or loss brought forward	Net profit for the period	
Equity brought forward 1 Jan 2015	2,046.4	17.5	12.6	-269.5	568.4	2,375.4
Net profit for the period					53.3	53.3
Other comprehensive income ²			-38.0			-38.0
Total comprehensive income	0.0	0.0	-38.0		53.3	15.3
Transactions with shareholders*						
Appropriation of surplus				568.4	-568.4	0.0
New share issue	680.0					680.0
Total transactions with shareholders*	680.0	0.0	0.0	568.4	-568.4	680.0
Equity carried forward 30 June 2015	2,726.4	17.5	-25.4	298.9	53.3	3,070.7
Equity brought forward 1 Jan 2014	1,396.4	17.5	17.3	-294.3	590.7	1,727.6
Net profit for the period					326.7	326.7
Other comprehensive income ²			4.6			4.6
Total comprehensive income	0.0	0.0	4.6	0.0	326.7	331.3
Transactions with shareholders*						
Appropriation of surplus				590.7	-590.7	0.0
New share issue	650.0					650.0
Total transactions with shareholders*	650.0	0.0	0.0	590.7	-590.7	650.0
Equity carried forward 30 June 2014	2,046.4	17.5	21.9	296.4	326.7	2,708.9
Equity brought forward 1 Jan 2014	1,396.4	17.5	17.3	-294.3	590.7	1,727.6
Net profit for the period					568.4	568.4
Other comprehensive income ²			-4.7			-4.7
Total comprehensive income	0.0	0.0	-4.7	0.0	568.4	563.7
Transactions with shareholders*						
Appropriation of surplus				590.7	-590.7	0.0
New share issue	650.0					650.0
Group contributions				-725.6		-725.6
Tax effect on Group contribution				159.7		159.7
Total transactions with shareholders*	650.0	0.0	0.0	24.8	-590.7	84.1
Equity carried forward 31 December 2014	2,046.4	17.5	12.6	-269.5	568.4	2,375.4

30 June 2015 30 June 2014 31 December 2014

1) The Fair value reserve consists of the following
 - Available-for-sale financial assets

-25.4 21.9 12.6

2) Other comprehensive income
 See Statement of comprehensive income on page 12

* Transactions with the Kommuninvest Cooperative Society

Cash flow statement

SEK, million	Jan - Jun 2015	Jan - Jun 2014	Jan - Dec 2014
Operational activities			
Operating profit	68.9	419.0	729.4
Adjustment for items not included in cash flow	178.1	-91.1	-62.2
Income tax paid	-43.1	-43.1	-0.7
Cash flow from operating activities before changes in the assets and liabilities of operating activities	203.9	284.8	666.5
Change in interest-bearing securities	725.6	432.0	-1,220.5
Change in lending	-19,860.0	-657.3	-11,659.3
Change in other assets	-8.8	-3.6	2.3
Change in other liabilities	42.6	55.9	12.1
Cash flow from operational activities	-18,896.7	111.8	-12,198.9
Investment activities			
Acquisitions of intangible assets	-1.9	-1.5	-2.0
Acquisition of tangible assets	-0.6	-3.8	-4.3
Divestments of tangible assets	-	0.0	-
Cash flow from investment activities	-2.5	-5.3	-6.3
Financing activities			
Issue of interest-bearing securities	71,437.3	45,443.0	108,359.7
Redemption of interest-bearing securities	-51,470.8	-43,346.9	-94,908.2
New share issue	680.0	650.0	650.0
Group contribution paid	-653.2	-696.5	-696.5
Cash flow from financing activities	19,993.3	2,049.6	13,405.0
Cash flow for the period	1,094.1	2,156.1	1,199.8
<i>Cash and equivalents at the start of the accounting period</i>	4,022.1	2,822.3	2,822.3
Cash and equivalents at the end of the accounting period	5,116.2	4,978.4	4,022.1
Cash and equivalents consist in their entirety of loans to credit institutions that, at the time of acquisition, have a maturity of at most three months and that are exposed to insignificant risk of fluctuations in value.			
Adjustment for items not included in cash flow			
Depreciation	1.4	1.6	3.3
Exchange rate differences from change in financial assets	0.2	-	-0.1
Unrealised changes in market value	176.5	-92.7	-65.4
Total	178.1	-91.1	-62.2
Interest paid and earned, included in the cash flow			
Interest received	1,029.4	1,860.4	3,820.7
Paid interest	-751.5	-1,332.1	-2,927.5

Accounting principles

The Kommuninvest interim report has been prepared applying the regulation regarding interim reports in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25). Consequently all International Financial Reporting Standards and interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and consider-

ing the additions and exemptions specified in FFFS 2008:25. In addition, the recommendations of the Swedish Financial Reporting Board on Accounting for legal entities (RFR 2) have been applied.

The accounting policies and calculation methods remain unchanged compared with the 2014 Annual Report.

In accordance with Chapter 7, section 6a of ÅRKL, Kommuninvest has chosen not to prepare consolidated financial statements, see Note 4.

Capital adequacy

Since January 1, 2014, capital adequacy has been calculated according to CRR¹. The greatest change compared with the previous calculation method relates to risk exposure amounts for credit valuation adjustment (CVA risk) for all OTC derivative contracts.

The capital buffers to be introduced under CRD IV² first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers

(2014:966). Currently, only the capital conservation buffer of 2.5 percent applies. Finansinspektionen has adopted a counter-cyclical buffer rate of 1 percent, effective from 13 September 2015. Kommuninvest is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution. It is Kommuninvest's assessment that all buffer requirements will be met.

	30 June 2015	30 June 2014	31 December 2014
Equity according to balance sheet	3,070.7	2,708.9	2,375.4
Less available-for-sale financial assets ³	-	-28.1	-16.2
Less adjustment for prudent valuation ⁴	-15.4	-	-9.7
Less profit for the period ⁵	-53.3	-326.7	-
Less profit for the year ⁶	-	-	-729.4
Plus recognised Group contributions ⁶	-	-	725.6
Less non-approved core Tier 1 capital ⁷	-680.0	-	-
Total core Tier 1 capital	2,322.0	2,354.1	2,345.7
Total Tier 1 capital	2,322.0	2,354.1	2,345.7
Supplementary capital			
Perpetual debenture loans ⁸	1,000.0	1,000.0	1,000.0
Total supplementary capital	1,000.0	1,000.0	1,000.0
Total capital base	3,322.0	3,354.1	3,345.7

Capital adequacy ratios	30 June 2015	30 June 2014	31 December 2014
Core Tier 1 capital ratio	42.1 %	35.6 %	34.6 %
Tier 1 capital ratio	42.1 %	35.6 %	34.6 %
Total capital ratio	60.2 %	50.7 %	49.3 %

Buffer requirements	30 June 2015	30 June 2014	31 December 2014
Capital conservation buffer	2.5 %	-	2.5 %
Total buffer requirements	2.5 %	-	2.5 %

Core Tier 1 capital available for use as buffer	30 June 2015	30 June 2014	31 December 2014
	36.1 %	29.6 %	28.6 %

- 1) European Parliament and Council Regulation (EU) No 575/2013 of 26 June 2013 on supervisory requirements for credit institutions and securities companies and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation, CRR).
- 2) European Parliament and Council Directive 2013/36/EU of 26 June 2013 on authorisation to conduct operations in credit institutions and on the supervision of credit institutions and securities companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive, CRD).
- 3) According to Finansinspektionen's statutes 2014:12, effective from 1 January 2015, unrealised gains on assets classified as available for sale may not be filtered out from the capital base. In the balance sheet, the fair value reserve is presented including deferred tax. Kommuninvest applies a CRR exemption rule and does not make a deduction for deferred tax. Hence, the deduction in the capital base for financial assets available for sale differs from the data presented in the balance sheet.
- 4) Adjustment for prudent valuation according to CRR article 34.
- 5) Kommuninvest has chosen not to seek permission under CRR article 26 to include net profit for the period in the capital base. The reason is that most of the net profit for the period is expected to be distributed in accordance with Kommuninvest's refund model and should thus be deducted from the capital base.
- 6) Refers to the portion of net profit for the year that has not been distributed to the Kommuninvest Cooperative Society in the form of group contributions and which may not be included in the capital base prior to a decision by the Annual General Meeting in accordance with CRR Article 26.
- 7) The increase in Kommuninvest's share capital was registered with the Swedish Companies Registration Office on 24 June 2015. According to CRR, Kommuninvest may not classify the increase of the share capital as core Tier 1 capital until this has been approved by Finansinspektionen. An application for permission to classify the increase in share capital as core Tier 1 capital was filed to Finansinspektionen on 24 June 2015. The application was approved on 24 August 2015.
- 8) Perpetual debenture loan 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 of 30 November 2010 and thereafter on each subsequent interest date.

Capital requirement	30 June 2015		30 June 2014		31 December 2014	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement for credit risks (the standardised method)	3,106.3	248.5	3,301.0	264.1	3,339.6	267.2
<i>of which, exposures to states and central banks</i>	136.5	10.9	82.3	6.6	136.5	10.9
<i>of which, institutional exposures</i>	849.1	67.9	1,023.5	81.9	1,179.5	94.4
<i>of which, corporate exposures</i>	72.6	5.8	65.1	5.2	63.0	5.0
<i>of which, exposures in the form of covered bonds</i>	2,048.1	163.9	2,130.1	170.4	1,960.6	156.8
Capital requirement for operational risks, basic indicator method	1,573.0	125.8	1,337.3	107.0	1,337.3	107.0
Capital requirement for market risks	-	-	23.7	1.9	-	-
Capital requirement for credit valuation adjustment	840.2	67.2	1,948.8	155.9	2,108.0	168.6
Total risk exposure and minimum capital amount	5,519.5	441.5	6,610.8	528.9	6,784.9	542.8

Note 1 Financial assets and liabilities

30 June 2015	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
Sovereign bonds eligible as collateral	13,674.5	-	-	-
Lending to credit institutions	-	-	5,116.2	-
Lending	61,800.7	-	180,288.2	-
Bonds and other interest-bearing securities	35,788.7	-	-	-
Derivatives	-	17,851.1	-	-
Other assets	-	-	11.7	-
Total	111,263.9	17,851.1	185,416.1	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

31 December 2014	Financial assets at fair value through profit or loss		Loan receivables and accounts receivable	Investments held to maturity
	Financial assets determined as belonging to this category	Holdings for trading purposes		
Sovereign bonds eligible as collateral	12,803.8	-	-	-
Lending to credit institutions	-	-	4,022.1	-
Lending	68,965.1	-	153,838.6	-
Bonds and other interest-bearing securities	33,690.1	-	-	-
Derivatives	-	17,446.2	-	-
Other assets	-	-	11.9	-
Total	115,459.0	17,446.2	157,872.6	-
Liabilities to credit institutions	-	-	-	-
Securities issued	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	-	-	-	-

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.

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.

Calculation of fair value

Regardless of whether financial instruments are measured at fair value in the balance sheet or for disclosure purposes, fair value is to be divided up in accordance with the following three levels:

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

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

Level 3: valuation is made on the basis of non-observable market data, with significant elements of internal and external estimates.

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 dis-

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
14,585.8	-	-	-	-	28,260.3	28,260.3
-	-	-	-	-	5,116.2	5,116.2
-	-	-	-	-	242,088.9	242,234.7
12,423.0	-	-	-	-	48,211.7	48,211.7
-	-	-	-	9,075.0	26,926.1	29,926.1
-	-	-	-	-	11.7	11.7
27,008.8	-	-	-	9,075.0	350,614.9	353,760.7
-	2,382.9	-	-	-	2,382.9	2,382.9
-	152,120.2	-	178,092.9	-	330,213.1	335,380.5
-	-	12,085.4	-	1,779.0	13,864.4	13,864.4
-	-	-	121.8	-	121.8	121.8
-	-	-	1,000.0	-	1,000.0	1,034.2
-	154,503.1	12,085.4	179,214.7	1,779.0	347,582.2	352,783.8

Available-for-sale financial assets	Financial liabilities at fair value through profit or loss		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Holdings for trading purposes				
2,400.3	-	-	-	-	15,204.1	15,204.1
-	-	-	-	-	4,022.1	4,022.1
-	-	-	-	-	222,803.7	223,696.5
12,284.4	-	-	-	-	45,974.5	45,974.5
-	-	-	-	6,402.6	23,848.8	23,848.8
-	-	-	-	-	11.9	11.9
14,684.7	-	-	-	6,402.6	311,865.1	312,757.9
-	2,360.1	-	2,440.5	-	4,800.6	4,800.6
-	145,857.9	-	146,460.1	-	292,318.0	293,839.5
-	-	9,026.8	-	1,601.5	10,628.3	10,628.3
-	-	-	786.0	-	786.0	786.0
-	-	-	1,000.1	-	1,000.1	1,067.4
-	148,218.0	9,026.8	150,686.7	1,601.5	309,533.0	311,121.8

counted cash flows and prices from the primary and secondary markets. Financial instruments for which the valuation includes a significant element of 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.

Sovereign 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 (buy rate) 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.

*Note 1, continued***Liabilities to credit institutions, securities issued and subordinated liabilities**

Funding within the framework of the Swedish local government bond programme is measured at the quoted market price and classified in level 1. Other funding has been measured via a discount of anticipated future cash flows where the discount rate has been set at the swap rate adjusted for current borrowing margins for the structure and market of the funding. Funding where expected future cash flows are dependent on unobservable market data is classified in level 3; in other instances, they are classified in level 2. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' of guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Variations in borrowing margins and consequent changes in the values of liabilities are therefore considered to be attributable to general changes in market prices for credit and liquidity risk rather than to changes in Kommuninvest's own credit risk.

Derivatives

Standardised derivatives in the form of FRA contracts scheduled for IMM days and traded in an active market are measured according to level 1. The fair value of other derivatives is calculated via a discount of anticipated future cash flows. Where anticipated future cash flows are dependent on unobservable market data, derivatives are classified in level 3; otherwise, they are classified in level 2. All derivatives classified in level 3 are swaps matching funding transactions classified in level 3. The discount rate has been set as the current quoted swap rate in each currency. For currency swaps, the discount rate has been adjusted according to current basis swap spreads. Derivatives are reported as assets when they have a positive market value, and as liabilities when they have a negative market value.

Lending to credit institutions, other assets and other liabilities

For these items, the recognised value is an acceptable approximation of fair value. Lending to credit institutions consists of bank accounts and repo transactions with a maximum duration of seven days. Other assets and liabilities consists of accounts receivable and payable, as well as Group-internal receivables and debts.

Significant assumptions and uncertainty factors

Kommuninvest has applied the valuation techniques best deemed to reflect the value of the Company's assets and liabilities. Changes in underlying market data could mean changes to the income statement and balance sheet in respect of unrealised market values. The valuation curves are also determined on the basis of current 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 and basis swap spreads that give rise to the changes in market value.

An increase in the lending price by 10 basis points on the receivables recognised at fair value would mean a negative change in income of SEK 131 (151) 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 324 (297) million. A parallel displacement in the borrowing and lending price by 10 basis points would mean a change in income of SEK +/-193 (+/-146) 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 +/-40 (+/-12) 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 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 or lending instruments, which always take place on the investors' or customers' initiative respectively, also lead to market values being realised.

Uncertainty in measurement due to unobservable input data

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

The effect on profit or loss of these contracts is realised when Kommuninvest's borrowing margins for this type of borrowing change. The scope of the change depends on the anticipated remaining duration of the contracts, which depend in turn on unobservable data. The effect on earnings from the unobservable input data that arises is therefore attributable to how input data affect the estimated remaining maturity of the contract.

Kommuninvest has calculated the maturity at 2.6 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable borrowing in the interval of 1.6 – 2.9 years. This would have an effect on earnings in the interval SEK -4.0 million – SEK +7.5 million.

Approval of valuation models

The valuation models applied are approved by the Company's ALCO (Asset and Liability Committee). The Finance department is responsible for the valuation process, including the valuation models. The Risk and Control department is responsible for ensuring independent control of the quality of the valuation models and market data used in the valuation.

Note 1, continued

Financial instruments measured at fair value in the balance sheet

30 June 2015	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	13,533.2	14,727.1	-	28,260.3
Lending	-	61,800.7	-	61,800.7
Bonds and other interest-bearing securities	40,006.2	8,205.5	-	48,211.7
Derivatives	4.9	26,545.2	376.0	26,926.1
Total	53,544.3	111,278.5	376.0	165,198.8
Liabilities to credit institutions	-	2,180.9	202.0	2,382.9
Securities issued	-	140,049.3	12,070.9	152,120.2
Derivatives	4.4	11,328.7	2,531.4	13,864.5
Total	4.4	153,558.9	14,804.3	168,367.6

Kommuninvest continuously reviews the criteria for the allocation into levels of financial assets and liabilities to be measured at fair value; see "Calculation of fair value" above. During the period, no transfers have been made between the levels.

31 December 2014	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	12,726.3	2,477.8	-	15,204.1
Lending	-	68,965.1	-	68,965.1
Bonds and other interest-bearing securities	36,292.9	9,681.6	-	45,974.5
Derivatives	13.2	23,356.1	479.5	23,848.8
Total	49,032.4	104,480.6	479.5	153,992.5
Liabilities to credit institutions	-	2,155.0	205.1	2,360.1
Securities issued	-	136,341.8	9,516.1	145,857.9
Derivatives	7.1	9,776.3	844.9	10,628.3
Total	7.1	148,273.1	10,566.1	158,846.3

During the period, SEK 679.4 million was transferred to level 1 from level 2. All transfers are considered to have been made as of 30 June 2014.

Changes in level 3

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

	Derivative assets	Derivative liabilities	Liabilities to credit institutions	Securities issued	Total
Opening balance, 1 January 2014	619.7	-1,335.9	-226.3	-8,836.9	-9,779.4
Recognised gains and losses:					
- recognised in the income statement (net result of financial transactions)	-140.2	491.0	21.2	-289.2	82.8
Cost, acquisitions	-	-	-	-6,860.4	-6,860.4
Maturing during the year	-	-	-	6,470.4	6,470.4
Closing balance, 31 December 2014	479.5	-844.9	-205.1	-9,516.1	-10,086.6
Gains and losses recognised in the income statement (net result of financial transactions) for assets and liabilities included in the closing balance as per 31 December 2014	212.0	28.1	31.6	-262.7	9.0
Opening balance, 1 January 2015	479.5	-844.9	-205.1	-9,516.1	-10,086.6
Recognised gains and losses:					
- recognised in the income statement (net result of financial transactions)	-103.5	-1,686.5	3.1	1,770.1	-16.8
Cost, acquisitions	-	-	-	-7,992.6	-7,992.6
Maturing during period	-	-	-	3,667.7	3,667.7
Closing balance, 30 June 2015	376.0	-2,531.4	-202.0	-12,070.9	-14,428.3
Gains and losses recognised in the income statement (net result of financial transactions) for assets and liabilities included in the closing balance as per 30 June 2015	54.2	-1,796.7	3.1	1,717.7	-21.7

Note 2 Information on financial assets and liabilities subject to offsetting

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. Kommuninvest's derivatives are what are known as OTC derivatives, that is, they are not traded on an exchange but are issued under ISDA Master agreements (International Swaps and Derivatives Association), an organisation in which Kommuninvest is a member. In addition to the ISDA agreement, a supplementary CSA (Credit Support Annex) has been signed with a considerable portion of the counterparties. CSA agreements regulate the right to secure collateral to eliminate the exposure.

For transactions carried out under ISDA Master agreements, all payment flows with a particular counterparty that mature on the same date are, to the greatest extent possible, netted in

each currency to a net amount to be paid by one counterparty to another. For specific events, such as past-due payment, bankruptcy, etc. all transactions are concluded with that counterparty, as assessment is conducted and a net settlement is made.

ISDA Master agreements do not meet the criteria for settlement in the balance sheet, since the legal right to settlement only applies for a stated type of suspension of payments, insolvency or bankruptcy.

Information – by type of financial instrument

Financial assets and liabilities that are subject to offsetting and that are covered by a legally binding framework agreement on netting or similar agreements.

30 June 2015	Amounts ¹ reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets					
Derivatives	26,926.1	-11,513.3	-14,944.2	-	468.6
Repos ²	4,500.2	-	-4,498.6	-	1.6
Liabilities					
Derivatives	-13,864.4	11,513.3	-	-	-2,351.1
Total	17,561.9	0.0	-19,442.8	-	-1,880.9

31 December 2014	Amounts ¹ reported in the balance sheet	Related amounts that are not offset in the balance sheet			Net amount
		Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets					
Derivatives	23,848.8	-9,611.1	-11,711.3	-	2,526.4
Repos ²	3,952.1	-	-3,952.1	-	-
Liabilities					
Derivatives	-10,628.3	9,611.1	-	-	-1,017.2
Total	17,172.6	0.0	-15,663.4	-	1,509.2

1) None of the amounts reported in the balance sheet have been offset.

2) Repos are included in Lending to credit institutions.

Note 3 Transactions with related parties

Transactions with related parties are disclosed in Note 24 of Kommuninvest's annual report for 2014. No significant changes have taken place in relationships or transactions with related parties compared with those described in the annual report for 2014.

Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and earnings. As per 30 June 2015, Kommuninvest Fastighets AB had a balance sheet total of SEK 55.2 (54.9) million, equity of SEK 19.3 (19.1) million and generated a profit of SEK 155.1 (loss 72.8) thousand for the first six months of the year.

Note 4 Consolidated accounts

Since 1 January 2012, Kommuninvest i Sverige AB owns Kommuninvest Fastighets AB, which means that Kommuninvest i Sverige AB is now a group with Kommuninvest i Sverige AB as the Parent Company and Kommuninvest Fastighets AB as its subsidiary. The operations of Kommuninvest Fastighets AB consist entirely of owning and managing the building in which Kommuninvest i Sverige AB conducts its operations. In accordance with chapter 7, section 6a of ÅRKL, Kommuninvest i

Note 5 Events after the balance sheet date

A description of events after the balance sheet date is found on page 11.

Board member signatures

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

Örebro, 25 August 2015

Ellen Bramness Arvidsson
Chairman

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Erik Langby
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Anders Pelander
Employee representative

Tomas Werngren
President and CEO

Auditor's review report

**To the Board of Directors of Kommuninvest i Sverige AB (publ).
Corporate identity number 556281-4409**

Introduction

We have reviewed the interim report for Kommuninvest i Sverige AB (publ) as per 30 June 2015 and the six-month period ending on that date. It is the Board of Directors and the President who are responsible for the presentation of this interim report in accordance with the Swedish Act on Annual Accounts for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and

applying analytical and other review procedures. A review is substantially less in scope compared to an audit conducted according to the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. This statement of opinion based on a review therefore does not have the assurance that an opinion based on an audit has.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared in accordance with the Swedish Act on Annual Accounts for Credit Institutions and Securities Companies.

Örebro, 25 August 2015

Ernst & Young AB

Erik Åström
Authorised Public Accountant



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