Interim report 2017

KOMMUNINVEST I SVERIGE AB

1 January – 30 June	
Total assets	SEK 383,980.7 (361,725.4) million
Lending	SEK 296,600.0 (276,982.1) million
Net interest income	SEK 424.4 (372.7) million
Operating income	SEK 523.7 (14.0) million
Operating profit excluding the effect of unrealised market value changes	SEK 293.6 (271.7) million
Core Tier 1 capital ratio[1]	141.1 (103.7) %
Tier 1 capital ratio[2]	141.1 (103.7) %
Total capital ratio[3]	163.4 (122.1) %
Equity	SEK 6,929.4 (6,514.0) million
Leverage ratio according to CRR[4]	1.65 (1.56) %
Leverage ratio including debenture loan[5]	1.91 (1.84) %
Market share of local government sector's total funding	49 (48) %
Number of members at the end of the period	288 (286) members, of whom, 277 (275) municipalities and 11 (11) county councils/regions

1) Core Tier 1 capital in relation to total risk exposure amount.
2) Tier 1 capital in relation to total risk exposure amount.
3) Total capital base in relation to total risk exposure amount.
4) Tier 1 capital in relation to total assets and commitments (exposures).
5) Tier 1 capital and debenture loan issued to the Kommuninvest Cooperative Society in relation to total assets and commitments (exposures).

KOMMUNINVEST

Working together for better terms

Kommuninvest's role entails offering secure and cost-effective financing to its members and customers – Swedish municipalities, county councils/regions, municipal companies and other local government actors.

Basic concept

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

Organisation with clear division of roles

Kommuninvest comprises two parts. In part, the credit market company, Kommuninvest i Sverige AB (the Company) and, in part, the Kommuninvest Cooperative Society (the Society).

Kommuninvest Cooperative Society

- Administrates membership and the joint and several guarantee.
- The Board of Directors consists of elected politicians from municipalities and county councils/regions.

Kommuninvest i Sverige AB

- Conducts the financial operations, including funding, liquidity management and lending.
- The Board of Directors consists of individuals with expertise in areas such as public administration, capital markets and business development.

Our vision

To be the world's best organisation for local government financial administration, for a good and sustainable society.

277 + 11

Kommuninvest is owned by 277 municipalities and 11 county councils/regions.

SEK 297 bn

On 30 June 2017, lending totalled SEK 297 billion.

AAA Aaa

Kommuninvest has the highest possible credit rating, AAA/Aaa, and a stable outlook.

Start 1986

Since its inception in 1986, Kommuninvest has helped reduce the Swedish local government sector's funding expenses by many billions of kronor. Ultimately this has benefited citizens and enables access to improved public services at both local and regional levels.

Green Loans

The launch of Green Loans is an important step for Kommuninvest. Since 2015, the volume of approved Green loans has increased to SEK 23 billion.

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 2017

Comparative income statement figures relate to the preceding six month period (1 January – 30 June 2016) unless otherwise indicated. Comparative figures relating to the balance sheet and to risk and capital-related data refer to 31 December 2016 unless otherwise indicated.

Comment from the CEO

The Swedish economy continues to develop strongly, with increased numbers of people in employment and increased payroll totals. This benefits Swedish local governments, which, despite increased expenses, have been able to show very good economic results in a historic perspective. Given the major investment needs faced by the sector as a result of increased population and increased numbers of children and elderly, solid financial management remains the top priority.

Many municipalities are currently undergoing rapid growth, with high investment rates and rising borrowing needs. During the period, Kommuninvest strengthened its position as the sector's largest lender, and demand for credit was high. Activities to strengthen our debt office role in the group of larger municipalities also contributed.

It is also pleasing that Kommuninvest Cooperative Society continues to attract new members. Since the beginning of 2016, Kommuninvest has welcomed eight new members, including several county councils/regions and some of Sweden's largest municipalities.

Financial performance for the period indicates a continued stable trend. As usual, the outcome has been affected by market valuation effects, which are neutralised over time but were highly positive in the first half of the year.

Demand for Green Loans enabled us to issue our third green bond during the spring. In a short space of time, Kommuninvest has become Sweden's largest green bond issuer, which is very stimulating and reflects the extensive environmental efforts of the local government sector.

Over the period, advocacy efforts continued regarding the EU Commission's leverage ratio proposal – this issue being a long-term strategic priority for Kommuninvest. The proposal entails certain public sector financial players possibly being subject to special capital requirements, designed to take into account the public mission of those institutions. However, the proposal is not final and a negotiation process is in progress.

Tomas Werngren, CEO

For several years, in preparation for the changed capital requirements related to the leverage ratio, Kommuninvest has been reinforcing its capital, supported by the members of Kommuninvest Cooperative Society. The decisions taken at the 2017 Annual General Meeting of the Society show that the members seek to support Kommuninvest over the long term with the capital necessary for the cooperation to continue to provide the Swedish local government sector with efficient and secure investment financing.

Among other things, the Articles of Association were adapted in view of the fact that the capital structure implemented by the Society was achieved faster than expected, so that the Society should have similar opportunities as previously to request member contributions if that should be necessary to comply with financial legislation.

Tomas Werngren
President and CEO

Market

The world economy and the financial markets
During the period, the global economy continued to improve on a broad front, and both the Eurozone and Sweden have shown strength. Political uncertainty following the US presidential election and the UK's decision to leave the EU has been subdued following elections in the Netherlands and France, which resulted in the success of EU friendly forces. In the US, the Trump administration has proven to be controversial and the decision to leave the Paris agreement has led to counter-reactions from a host of US cities, states and companies. The international economy is expected to grow by 3.5–4 percent in 2017 and 2018.

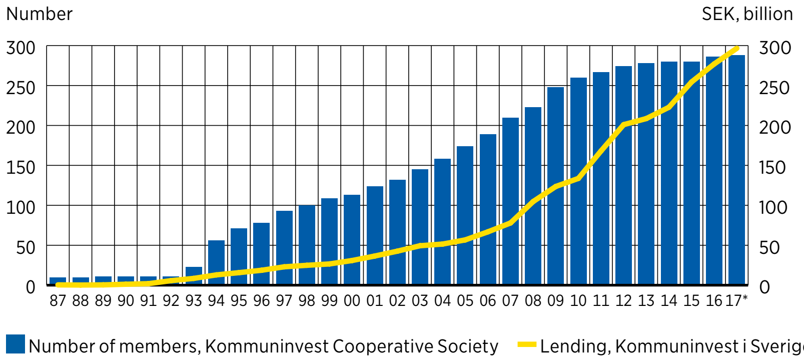
Developments in the financial markets have been relatively stable during the period, although increasingly strong signals from Europe have raised market rates to new levels. The Federal Reserve has raised its key rate twice, while the European Central Bank's key rates have remained unchanged. The interest rate discrepancy between Germany and countries in Europe where there is greater uncertainty about economic and political developments abated following the first round of the French presidential election. One exception is Italy where interest rate spreads have narrowed following decisions in June on central government support for parts of the banking sector. In Sweden, interest rates have risen slightly, while both households and companies are still being offered low interest rates and credit growth is high.

Sweden's economic development is exceeding its long-term trend and positive development is expected to remain, with GDP growth of 2.5–3 percent next year. Unemployment decreased further during the period. Growth continues to be driven by domestic demand, with public consumption and housing investment as engines.

As a whole, the Swedish local government sector continues to display stable economic development and a positive financial balance. The anticipated surplus for 2016 is 3.1 percent, according to the Swedish Association of Local Authorities and Regions (SALAR), which, however, flags for future challenges. The sector finds itself in a period of intensive investment due to rapid population growth, demographic changes and urbanisation. The main reason for population growth is net immigration. An aggravating circumstance is that the number of children and elderly people is rising significantly faster than the number of inhabitants of employable age. Immigration increases demands on the activities of the local government sector.

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. At 30 June 2017, the Society had 288 (286) members, of which 277 (275) were municipalities and 11 (11) were county councils/regions. Consequently, 96 (95) percent of Sweden's municipalities and 55 (55) percent

Number of members and lending, 1987–2017 (30 June)



* 30 June

The foremost explanations for the historical growth in lending are increasing local government funding needs, an increase in membership of the Society, and members choosing to arrange an increasing part of their funding with the Company.

of Sweden's county councils/regions were members (partners) in the Society. During the period, 2 (2) new members, the City of Mölndal and the Municipality of Linköping were added.

Resolutions by the Annual General Meeting of the Society
The Society held its Annual General Meeting (AGM) on 20 April 2017 in Stockholm. The AGM made the customary resolutions concerning, for example, elections to the Board of Directors, discharge of responsibility and dividends. The AGM also adopted owner directives for the Company. These state, among other things, that the Society is responsible for providing the Company with the capital required for its operations.

The AGM resolved on adjustments to the Articles of Association (AA) necessitated by a new law concerning economic associations as of 1 July 2016, including the AGM being public and open. The AA were also adapted due to the fact that the capital structure implemented by the Society was achieved faster than expected, so that the Society should have similar opportunities as previously to request member contributions if that should be necessary to comply with financial legislation. In addition, the AA were adjusted so that members can make specific capital contribution up to higher levels.

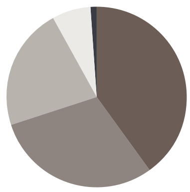
Local government debt
During the period, Swedish municipalities and county councils/regions were again able to meet their funding needs efficiently, both through Kommuninvest and through banking systems and capital markets. Kommuninvest estimates that the sector's external loan debt had risen by SEK 23 billion to SEK 596 (573) billion as per 30 June 2017, compared with the year-end, and that 49 (48) percent of the loan debt was financed via Kommuninvest. Over the past 12 months, Kommuninvest's lending has grown twice as fast as the market as a whole.

The local government sector's funding is characterised by short maturities and short-term interest rates. At the end of the period, the average period for which capital was tied up was 2.5 years. Of total funding, 57 percent was based on floating interest rates. By using derivatives the average period of fixed interest was extended to 2.9 years. The average interest rate on loan debt was 1.53 percent, a decrease of 18 basis points over one year.

Kommuninvest's lending
As per 30 June 2017, Kommuninvest's lending amounted to SEK 296,600.0 (276,982.1) million. In nominal terms, lending was at SEK 294,038.2 (274,039.0) million, an increase of 7 (5) percent. Kommuninvest's competitiveness, expressed as a percentage of accepted bids, rose. Based on nominal volumes, the bid acceptance rate for the period amounted to 99 (92) percent.

Of the total lending, municipalities accounted for 40 (40) percent, municipal

Lending portfolio by borrower category
30 June 2017



Kommuninvest's largest borrower groups are municipalities and municipal housing companies. As per 30 June 2017, they accounted for 70 (70) percent of the total lending.

Multi-year summary, Kommuninvest i Sverige AB

	30 June 2017	30 June 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014
Total assets, SEK, million	383,980.7	367,146.6	361,752.4	340,626.3	312,052.1
Lending, SEK, million	296,600.0	268,882.8	276,982.1	254,421.7	222,803.7
Net profit, SEK, million	408.0	10.9	309.8	561.3	568.4
Members, total	288	282	286	280	280
of which, municipalities	277	273	275	272	272
of which county councils/regions	11	9	11	8	8
Core Tier 1 capital ratio[1], %	141.1	75.9	103.7	44.6	34.6
Tier 1 capital ratio[2], %	141.1	75.9	103.7	44.6	34.6
Total capital ratio[3], %	163.4	89.2	122.1	59.8	49.3
Leverage ratio according to CRR[4], %	1.65	1.56	1.56	0.87	0.75
Leverage ratio including debenture loan[5], %	1.91	1.84	1.84	1.16	1.09

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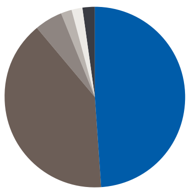
5) Tier 1 capital and debenture loan issued to the Society in relation to total assets and commitments (exposures).

Funding, by currency, 1 January–30 June 2017

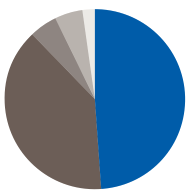
(excl. commercial paper borrowing)



- SEK 49 (52) %
- USD 40 (29) %
- JPY 5 (6) %
- NOK 2 (0) %
- GBP 2 (7) %
- EUR 2 (4) %
- ZAR – (1) %
- TRY – (1) %

Funding, by programme, 1 January–30 June 2017

(excl. commercial paper borrowing)



- Swedish benchmark programme 49 (50) %
- Benchmark funding 39 (30)%
- Private Placements 5 (5) %
- Uridashi 5 (8) %
- Public Bonds 2 (7) %

housing companies for 30 (30) percent and other municipal companies for 29 (29) percent of total lending. Lending to county councils/regions accounted for 1 (1) percent.

Of the agreed lending for the period, that is, new loans and renegotiations of existing loans, 72 (73) percent were loans with capital tied up for more than one year and 28 (27) percent with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 39 (33) 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 (2.3) years.

The volume of Green Loans granted – financing for municipal investment projects promoting the transition to low carbon emissions and climate-friendly growth, increased. As per 30 June 2017, the portfolio of approved Green Loans amounted to SEK 22,781 (17,782) million relating to 125 (83) investment projects.

Kommuninvest Financial Support (KI Finans) is a debt management system specially developed for the local government sector and offers increased functionality at a lower cost compared with other systems on the market. At the end of the period, 288 (236) members of the Society had access to the system, of which 182 (164) members opted to sign agreements for the full-scale version.

Kommuninvest's funding

Kommuninvest's lending is financed by means of short and long-term funding 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 funding products. All funding 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 assets in calculating the liquidity coverage ratio (LCR), in the EU, the UK and Switzerland.

Continued good market conditions enabled Kommuninvest to continue borrowing liquidity on favourable terms during the period. At the end of the period, total funding amounted to SEK 365,877.9 (343,975.5) million. Long-term funding over the period, in debt instruments with maturities of more than one year, amounted to SEK 48,195.2 (61,360.4) million. Short-term funding, in debt instruments with maturities of less than one year, amounted to SEK 52,756.6 (36,121.1) million.

Kommuninvest is working actively to increase its funding in major bond programmes, so-called benchmark programmes, both internationally and in Sweden. During the period, a major benchmark funding programme for USD 1.25 billion was implemented.

SEK 23,500.0 (30,650.0) million was issued in the Swedish bond programme. In addition to supplementary issues in existing outstanding bonds, a completely new bond was issued, maturing in February 2023.

During the period, Kommuninvest continued, as planned, to issue Green Bonds, which are primarily purchased by investors with special mandates to support investments with an environmental focus. In May, the third Green Bond was issued, for USD 500 million. Having issued two record-sized bonds in 2016, Kommuninvest is responsible for several of the largest Green Bonds issued in Sweden to date. The funds raised from Green Bonds finance investment projects in the Society's member municipalities, focusing on energy-efficient housing, renewable energy production and other green infrastructure. In total, as per 30 June 2017, Kommuninvest had SEK 14,396.5 (10,004.0) million outstanding in three Green Bonds.

Rating

Since 2002 and 2006 respectively, Kommuninvest holds the highest credit ratings for long-term funding, Aaa from Moody's and AAA from S&P Global Ratings (S&P). In May 2017, S&P confirmed Kommuninvest credit rating, with a stable outlook. Kommuninvest also holds the highest possible rating for short-term funding.

Financial accounts

Profit/loss

Operating profit, that is, profit before tax amounted to SEK 523.7 (14.0) million. The operating profit includes unrealised changes in market value of SEK 230.1 (negative 257.7) million. Kommuninvest intends to hold assets and liabilities to maturity, meaning that changes in market value are not normally realised, see below for more details.

Excluding market value changes, operating profit amounted to SEK 293.6 (271.7) million. Profit after tax amounted to SEK 408.0 (10.9) million.

Operating income amounted to SEK 661.0 (125.1) million, including net interest income, commission expenses, net results of financial transactions and other operating income.

Net interest income amounted to SEK 424.4 (372.7) million. The increase is mainly due to increased lending volumes and favourable interest rates in short-term liquidity management. Since 1 September 2015, Kommuninvest grants lending at negative interest rates. Negative interest income on lending is reported as an interest expense and amounted to SEK 77.1 (62.8) million for the period. For more information on how interest income and interest expenses are reported, see Notes 1 and 3.

The net result of financial transactions for the period was SEK 237.5 (negative 246.7) million. The result was primarily affected by unrealised changes in market value amounting to SEK 230.1 (negative 257.7) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed SEK 9.0 (12.3) million to the figure. The period's positive outcome in terms of unrealised changes in market value was primarily attributable to the fact that the lending price in SEK has fallen more than the funding cost in USD. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. For further details, see Note 2.

Operating expenses amounted to SEK 137.3 (111.1) million, including the resolution fee of SEK 33.2 million (15.7). The resolution fee represents a risk-adjusted share of the balance sheet total less lending. The risk-adjusted percentage is determined by the Company's risk profile relative to other institutions required to pay the fee in accordance with the Commission's Delegated Regulation (EU) 2015/63. The resolution fee for 2017 has been set by the Swedish National Debt Office at SEK 66.3 million for Kommuninvest. For 2016, the resolution fee was reduced by half, in accordance with transitional measures, and was set at SEK 31.4 million. The resolution fee accounted for 24 (14) percent of the Company's total operating costs for the period.

Excluding the resolution fee, operating expenses amounted to SEK 104.1 (95.4) million, of which personnel expenses accounted for SEK 61.9 (59.1) million and other expenses for SEK 42.2 (36.3) million. Expenses for externally hired personnel have been reported as personnel expenses since 31 December 2016. In the interim report for 30 June 2016, expenses were reported as other general administrative expenses. The comparative figures for 30 June 2016 have been adjusted in this report.

Credit losses

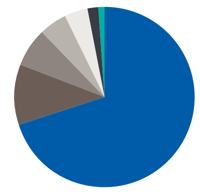
Credit losses totalled SEK – (–) million.

Assets

Total assets in the Company increased to SEK 383,980.7 (361,725.4) million, primarily as an effect of increased lending. At the end of the period, the Company's lending amounted to SEK 296,600.0 (276,982.1) million. In nominal terms, lending was SEK 294,038.2 (274,039.0) million. The increase is explained by the local government sector's increased funding needs.

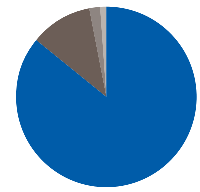
Liquidity reserve distributed by country

30 June 2017



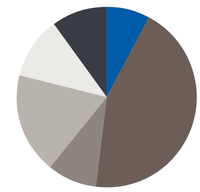
Liquidity reserve distributed by rating category

30 June 2017



Liquidity reserve distributed by issuer category

30 June 2017



At the end of the period, the Company's liquidity reserve amounted to SEK 71,305.2 (60,090.6) million, consisting of the balance sheet items Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities. According to the Company's instructions, the liquidity reserve must not amount to less than 15 percent of the lending volume, and not exceed 35 percent of the lending volume.

Most of the investments are in securities issued by states, state-guaranteed financial institutions, and credit institutions with high creditworthiness. A considerable proportion of the Company's investments are to be made in assets that can be pledged with the Swedish Riksbank and the European central bank, ECB. More than 97 percent of assets are to consist of securities with a credit rating of at least A from S&P or equivalent from a recognised rating agency.

Other assets amounted to SEK 1,270.1 (14.6) million. During the period, the Company has begun to provide and receive cash collateral for derivatives not cleared by a central counterparty. At the end of the period, collateral pledged was included in other assets and amounted to SEK 1,254.6 (–) million.

Derivatives

Derivative contracts are used as risk management instruments to address market risks in operations. Any market value changes in the derivative contracts are offset of market value changes in funding and lending. Derivatives with positive market value (recognised as assets in the balance sheet) and negative market value (recognised as liabilities in the balance sheet) amounted to SEK 14,658.4 (24,449.8) million and SEK 9,721.1 (9,390.5) million respectively.

Liabilities

At the end of the period, the Company's liabilities amounted to SEK 377,051.3 (355,211.4) million, of which total borrowings amounted to SEK 365,877.9 (343,975.5) million. The Company's funding 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.

Subordinated liabilities

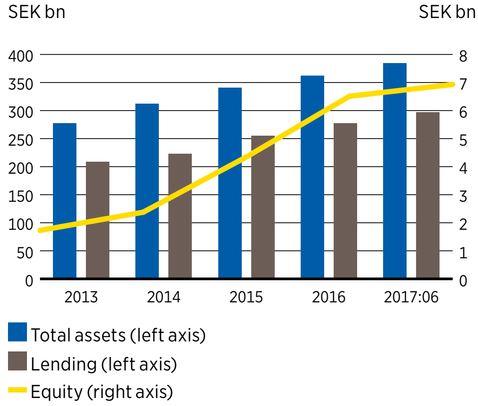
Subordinated liabilities consist of a perpetual debenture loan from the Kommuninvest Cooperative Society. Including accrued interest, the loan amounted to SEK 1,000.0 (1,000.0) million.

Shareholders' equity

At the end of the period, Kommuninvest's shareholders' equity amounted to SEK 6,929.4 million (6,514.0), of which the share capital amounted to SEK 6,100.0 (5,417.1) million, divided between 61,000,000 (54,170,590) shares. The SEK 682.9 million, corresponding to 6,829,410 shares, that were booked as a new share issue in progress as per 31 December 2016, were registered as share capital at the Swedish Companies Registration Office on 2 January 2017. All are fully paid-up as per the end-of-the-year balance sheet date with a nominal value of SEK 100 per share. Total share capital is attributable to the Society's members and no shares are available for trading.

In accordance with the owner directives from the Society, capital in the Company is being built up through the Company's share capital. The principal method for this involves capital injections to the Society from its members, which are contributed to the Company as share capital. It is planned for the share capital to increase through a new issue during the third quarter of 2017.

Kommuninvest's balance sheet, 2013–2017 (30 June)



Shareholders' equity was also affected by net profit for the period, changes in the market values of assets classified as "financial assets available for sale" and development expenditures.

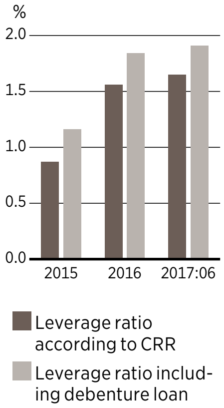
The development expenditure reserve was introduced in accordance with the Annual Accounts Act (ÅRL) effective from January 2016. The reserve of SEK 3.4 (1.6) million corresponds to capitalised development expenditures accrued in-house that have been transferred from profit or loss brought forward, adjusted for a proportionate share of the amortisation reversed from the reserve to unrestricted equity.

For further information on shareholders' equity, see Statement of changes in equity on page 15.

Capital adequacy

The Company is well capitalised to meet the risks in the operations, with capital ratios exceeding the required minimum standards by a good margin. Core Tier 1 capital

Leverage ratio, 2015–2017 (30 June)



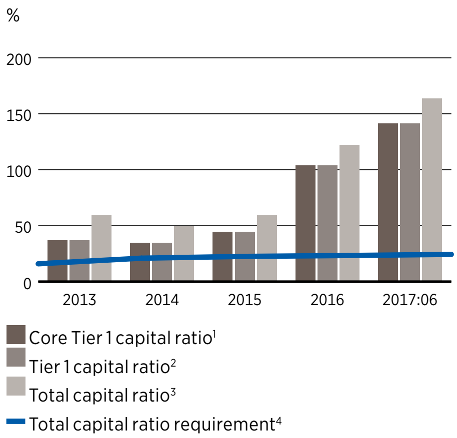
amounted to SEK 6,347.4 (5,641.1) million, entailing a Core Tier 1 capital ratio of 141.1 (103.7) percent. The total capital base was SEK 7,347.4 (6,641.1) million, which gave a total capital ratio of 163.4 (122.1) percent. See also Note 5.

Future regulatory requirements – leverage ratio

Effective from 1 January 2018, the new capital requirement measure, leverage ratio, will apply within the EU, provided that the Council of the European Union (EU Council) and the European Parliament agree on this. However, it is unclear whether the introduction will be postponed. The leverage ratio has been reported to the relevant authorities since 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. In the event that the final leverage ratio requirement is set higher that 1.5 percent, the Society's principal plan is to issue Core Tier 1 capital instruments to the members of the Society. However, the Society's statutes do permit Tier 1 capital instruments to be issued to other actors.

Capital adequacy, 2013–2017 (30 June)



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) 2017/2016/2015/2014: capital requirement under CRR of 12.2/11.7/11.3/10.5 percent, of which the buffer requirement is 4.2/3.7/3.3/2.5 percent. 2013: capital requirement in accordance with Basel III. 8 percent.

Leverage as per 30 June 2017

As per 30 June 2017, the Company's leverage ratio reported according to CRR was 1.65 (1.56) percent (see Note 6 for calculations). Including the SEK 1 billion subordinated loan issued by the Company to the Society in 2010, the leverage ratio amounted to 1.91 (1.84) percent, see further under Alternative performance measurements on page 27.

However, the terms of the debenture loan are such that it may not be included as Tier 1 capital under CRR. The Society's and the Company's intention is to convert the subordinated loan, issued by the Company to the Society, with another capital form. Until the conditions for the leverage ratio requirement have been clarified, the Society is holding on its plans to replace the existing subordinated loan between the Society and its members with a new subordinated loan or other form of capital that can be included in Tier 1 capital.

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 net profit, financial position, future prospects or opportunities to attain set targets. The macroeconomic trend, as well as general development in capital markets, remain uncertain, since political risks after the UK referendum on an exit from the European Union (EU) and the outcome of the US presidential election cannot be ignored, although they decreased following the elections in the Netherlands and France.

These factors, as well as interest rates, actions by central bank and the willingness to invest in various markets, can have effects on the Company that are difficult to assess. If the Company is unable to recruit and retain qualified employees, this may restrict the Company's competitiveness and opportunities for development.

In the autumn of 2016, the European Commission submitted proposals to the European Parliament concerning the introduction in the EU of the new leverage ratio capital requirement measure, in accordance with the description on page 10. The proposal may entail additional capital measures being required.

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 367,675.5 (347,664.9) million. Of the exposure, 81 (82) percent was related to lending to Swedish municipalities and county councils/regions; 19 (18) percent was related to investments in securities issued by sovereigns or other issuers, and 0 (0) percent was related to exposure to derivatives counterparties. The Company held SEK 4,109.9 (4,205.6) million in securities issued by Swedish municipalities and county councils/regions.

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 2017 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 Baa1 from Moody's and/or BBB+ from S&P, as well as established ISDA and CSA agreements (Credit Support Annex).

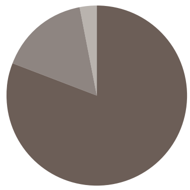
ISDA agreements guaranteeing the right to early redemption if the counterparty's creditworthiness deteriorates, have been established with all derivative counterparties.
See also Note 4.

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 2017, CSA agreements had been established with 19 out of 22 counterparties with whom Kommuninvest has outstanding, non-cleared contracts. Based on nominal amounts, 99 (98) percent of the contracts, were covered by CSA agreements. As per 30 June 2017, counterparty exposure to derivative counterparties amounted to SEK 548.5 (877.7) million after netting for each counterparty and net of collateral.

A description of the Company's risk exposure and risk management, is provided on pages 30–38 in the 2016 Annual Report. No significant changes have taken place after its publication.

Credit risk exposure

30 June 2017



Lending, 0 percent risk weight, 81 (82) %
Liquidity reserve, 0 percent risk weight 16 (12) %
Liquidity reserve, 10 percent risk weight, 3 (5) %
Liquidity reserve, 20 percent risk weight, 0 (1) %
Derivatives 0 (0) %

Employees

Over the period, the number of employees rose by 3 (6) persons to 94 (91). The average number of employees was 86 (85).

Events after the balance sheet date

No significant events have occurred after the end of the reporting period.

Build-up of capital and distribution of surplus

In accordance with the Society's owner directives, capital in the Group is being built up over the long term through profit accumulation. Effective from 2011, capital has been built up partly through processing of earnings and re-injection of profits, partly through direct capital contributions from members of the Society.

Decisions regarding the distribution of surpluses are made at the Annual General Meeting of the Society. Surpluses are distributed through a group contribution 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 2017 Annual General Meeting of the Society approved the payment of SEK 445.4 (500.7) million in surplus distribution, related to the 2016 results. 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 2017 Annual General Meeting, a decision was made that SEK 34.9 (90.7) million in new capital contributions would be paid in. All members that have yet to reach the agreed highest level for member contributions have chosen to participate with an amount depending on whether the member has reached 50, 75 or 100 percent of the highest contribution level. As in previous years, there has also been a request to all members who have not yet reached the agreed highest contribution level to voluntarily inject capital up to this level.

During the period, SEK 682.9 (0) million was registered as new share capital in the Company, attributable to member contributions from members not yet having reached the highest level for member contributions and member contributions to the Society from new members.

Board of Directors

At the Annual General Meeting on 20 April 2017, all Board members were re-elected. Ellen Bramness Arvidsson was re-elected as Chairman of the Board. Åsa Zetterberg was elected as new member. The Board of Directors also includes Kurt Eliasson, Lars Heikensten, Anna von Knorring, Erik Langby, Anna Sandborgh, Johan Törngren, plus Nedim Murtic (employee representative) and Ulrika Gonzalez Hedqvist (deputy employee representative).

Management

Over the first six months of 2017, the Company's executive management consisted of Tomas Werngren (President and CEO), Maria Viimne (Deputy CEO and Chief Operating Officer), Johanna Larsson (CFO), Malin Norbäck (Head of Human Resources), Britt Kerkenberg (CRO) and Christofer Ulfgren (CIO). Jens Larsson (Chief Legal Officer) has been part of the executive management since 2 May 2017, when he started his employment. During the period, Johanna Larsson requested termination of her employment and has been replaced by Anders Pelander (acting CFO, formerly Head of Financial Analysis), as member of the executive management since June 2017.

Income statement

SEK, million	Note	Jan – Jun 2017	Jan – Jun 2016	Jan – Dec 2016
Interest revenues	1, 3	272.3	349.1	654.0
Interest expenses	1, 3	152.1	23.6	108.0
NET INTEREST INCOME		**424.4**	**372.7**	**762.0**
Commission expenses		-3.6	–3.6	-5.2
Net result of financial transactions		237.5	–246.7	-131.9
Other operating income		2.7	2.7	5.4
TOTAL OPERATING INCOME		**661.0**	**125.1**	**630.3**
General administration expenses		-131.5	–106.9	-221.0
Depreciation of intangible assets		-2.3	–2.1	-4.2
Depreciation of tangible assets		-1.3	–0.9	-1.9
Other operating expenses		-2.2	–1.2	-5.0
TOTAL OPERATING EXPENSES		**-137.3**	**–111.1**	**-232.1**
OPERATING PROFIT		**523.7**	**14.0**	**398.2**
Tax expense		-115.7	–3.1	-88.4
NET PROFIT FOR THE PERIOD		**408.0**	**10.9**	**309.8**

Statement of comprehensive income

SEK, million	Jan – Jun 2017	Jan – Jun 2016	Jan – Dec 2016
NET PROFIT FOR THE PERIOD	**408.0**	**10.9**	**309.8**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to the income statement			
Available-for-sale financial assets	9.5	43.1	56.6
Available-for-sale financial assets, transferred to the income statement	-	–	-
Tax attributable to items that may subsequently be reclassified to the income statement	-2.1	–9.5	-12.5
OTHER COMPREHENSIVE INCOME	**7.4**	**33.6**	**44.1**
TOTAL COMPREHENSIVE INCOME	**415.4**	**44.5**	**353.9**

Balance sheet

SEK, million	Note	30 June 2017	30 June 2016	31 Dec 2016
ASSETS				
Sovereign bonds eligible as collateral	2	36,076.2	25,711.1	16,964.4
Lending to credit institutions	2, 4	4,020.8	1,478.0	1,122.3
Lending	2	296,600.0	268,882.8	276,982.1
Bonds and other interest-bearing securities	2	31,208.2	45,393.6	42,003.9
Shares and participations		3.5	3.1	3.3
Shares and participations in subsidiaries		42.0	42.0	42.0
Derivatives	2, 4	14,658.4	25,269.4	24,449.8
Intangible assets		13.2	14.6	13.4
Tangible assets		8.4	4.3	7.6
Current tax assets		32.3	111.5	79.0
Other assets	2	1,270.1	179.0	14.6
Deferred tax assets		-	28.1	28.1
Prepaid expenses and accrued revenues		47.6	29.1	14.9
TOTAL ASSETS		**383,980.7**	**367,146.6**	**361,725.4**
LIABILITIES, PROVISIONS AND EQUITY				
Liabilities and provisions				
Liabilities to credit institutions	2	8,436.1	2,708.0	2,396.1
Securities issued	2	357,441.8	346,626.1	341,579.4
Derivatives	2, 4	9,721.1	10,413.3	9,390.5
Other liabilities	2	413.4	367.4	810.4
Accrued expenses and prepaid revenues		34.5	148.5	30.9
Provisions for pensions and similar commitments		4.4	3.8	4.1
Subordinated liabilities	2	1,000.0	1,000.0	1,000.0
Total liabilities and provisions		**377,051.3**	**361,267.1**	**355,211.4**
Equity				
Restricted equity				
Share capital		6,100.0	5,417.1	5,417.1
New share issue in progress		-	-	682.9
Development expenditure reserve		3.4	0.8	1.6
Statutory reserve		17.5	17.5	17.5
Unrestricted equity				
Fair value reserve		17.2	−0.7	9.8
Profit or loss brought forward		383.3	433.9	75.3
Net profit for the period		408.0	10.9	309.8
Total equity		**6,929.4**	**5,879.5**	**6,514.0**
TOTAL LIABILITIES, PROVISIONS AND EQUITY		**383,980.7**	**367,146.6**	**361,725.4**

Statement of changes in equity

	Restricted equity				Unrestricted equity			Total equity
SEK, million	Share capital	New share issue in progress	Development expenditure reserve[1]	Statutory reserve[2]	Fair value reserve[3]	Profit or loss brought forward	Net profit for the period	
Equity brought forward 1 January 2017	**5,417.1**	**682.9**	**1.6**	**17.5**	**9.8**	**75.3**	**309.8**	**6,514.0**
Total comprehensive income								
Net profit for the period							408.0	408.0
Capitalised in the period			1.8			-1.8		0.0
Other comprehensive income					7.4			7.4
Total comprehensive income	***-***	***-***	***1.8***	***-***	***7.4***	***-1.8***	***408.0***	***415.4***
Transactions with shareholders								
Appropriation of surplus						309.8	-309.8	0.0
New share issue	682.9	-682.9						0.0
New share issue in progress								-
Total transactions with shareholders	***682.9***	***-682.9***	***-***	***-***	***-***	***309.8***	***-309.8***	***0.0***
Equity carried forward 30 June 2017	**6,100.0**	**0.0**	**3.4**	**17.5**	**17.2**	**383.3**	**408.0**	**6,929.4**
Equity brought forward 1 January 2016	**3,926.4**	**-**	**-**	**17.5**	**–34.3**	**–126.6**	**561.3**	**4,344.3**
Total comprehensive income								
Net profit for the period							10.9	10.9
Capitalised in the period			0.8			–0.8		0.0
Other comprehensive income					33.6			33.6
Total comprehensive income	***-***	***-***	***0.8***	***-***	***33.6***	***–0.8***	***10.9***	***44.5***
Transactions with shareholders								
Appropriation of surplus						561.3	–561.3	0.0
New share issue	1,490.7							1,490.7
New share issue in progress								-
Total transactions with shareholders	***1,490.7***	***-***	***-***	***-***	***-***	***561.3***	***–561.3***	***1,490.7***
Equity carried forward 30 June 2016	**5,417.1**	**-**	**0.8**	**17.5**	**–0.7**	**433.9**	**10.9**	**5,879.5**
Equity brought forward 1 January 2016	**3,926.4**	**-**	**-**	**17.5**	**–34.3**	**–126.6**	**561.3**	**4,344.3**
Total comprehensive income								
Net profit for the period							309.8	309.8
Capitalised in the period			1.6			-1.6		0.0
Other comprehensive income					44.1			44.1
Total comprehensive income	***-***	***-***	***1.6***	***-***	***44.1***	***-1.6***	***309.8***	***353.9***
Transactions with shareholders								
Appropriation of surplus						561.3	-561.3	0.0
New share issue	1,490.7							1,490.7
New share issue in progress		682.9						682.9
Group contributions						-458.7		-458.7
Tax effect on Group contribution						100.9		100.9
Total transactions with shareholders	***1,490.7***	***682.9***	***-***	***-***	***-***	***203.5***	***-561.3***	***1,815.8***
Equity carried forward 31 December 2016	**5,417.1**	**682.9**	**1.6**	**17.5**	**9.8**	**75.3**	**309.8**	**6,514.0**

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

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

3) The fair value reserve consists of financial assets available for sale.

For further information on shareholders' equity, see the Shareholders' equity section in the financial accounts.

Cash flow statement

SEK, million	Jan – Jun 2017	Jan – Jun 2016	Jan – Dec 2016
Operational activities			
Operating profit	523.7	14.0	398.2
Adjustment for items not included in cash flow	-226.4	259.3	201.1
Income tax paid	-43.1	–42.8	-0.4
	254.2	**230.5**	**598.9**
Change in liquidity reserve	-19,535.9	–15,355.6	2,051.0
Change in lending	-20,067.5	–13,477.5	-22,558.3
Change in other assets	-1,288.3	–182.1	-0.9
Change in other liabilities	17.3	108.5	-107.8
Cash flow from operational activities	**-40,620.2**	**–28,676.2**	**-20,017.1**
Investment activities			
Acquisitions of intangible assets	-2.1	–0.9	-1.9
Acquisition of tangible assets	-2.1	–0.8	-5.0
Divestments of tangible assets	0.2	0.3	0.3
Divestment of shares in associated companies	-	1.8	1.8
Cash flow from investment activities	**-4.0**	**0.4**	**-4.8**
Financing activities			
Issue of interest-bearing securities	78,763.9	77,016.8	129,345.1
Redemption and repurchases of interest-bearing securities	-34,830.7	–47,153.0	-109,256.9
New share issue	-	1,490.7	2,173.6
Change in intra-Group liabilities	-410.5	–1,900.6	-1,817.5
Cash flow from financing activities	**43,522.7**	**29,453.9**	**20,444.3**
Cash flow for the period	**2,898.5**	**778.1**	**422.4**
Cash and cash equivalents at the start of the accounting period	**1,122.3**	**699.9**	**699.9**
Cash and cash equivalents at the end of the accounting period	**4,020.8**	**1,478.0**	**1,122.3**

Cash and cash equivalents consists 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	Jan – Jun 2017	Jan – Jun 2016	Jan – Dec 2016
Depreciation	3.6	3.0	6.1
Profit from divestments of tangible assets	-0.1	–0.1	-0.1
Profit from divestments of shares in associated companies	-	–1.3	-1.3
Exchange rate differences from change in financial assets	0.2	0.0	0.9
Unrealised changes in market value	-230.1	257.7	195.5
Total	**-226.4**	**259.3**	**201.1**

Interest paid and received, included in the cash flow	Jan – Jun 2017	Jan – Jun 2016	Jan – Dec 2016
Interest received[1]	75.7	165.1	787.1
Interest paid[2]	326.7	198.8	-42.3

1) Reported as interest recieved are payments that have been paid and recieved for the Company's loans and investments, as well as the payments paid and received for derivative contracts used to hedge the Company's loans and investments.

2) Reported as interest paid are payments that have been paid and received for the Company's funding, as well as payments paid and received for derivative contracts used to hedge the Company's funding.

Note 1 Accounting principles

Compliance with standards and legislation
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 considering the additions and exemptions specified in FFFS 2008:25. Furthermore, the recommendations from the Swedish Financial Reporting Board on Accounting for legal entities (RFR 2) have been applied.

In accordance with Chapter 7, section 6a of ÅRKL, Kommuninvest has chosen not to prepare consolidated financial statements, see Note 8.

For all material purposes, the accounting policies and calculation methods remain unchanged compared with the 2016 Annual Report.

Future amendments and accounting principles
IFRS9 will come into effect on 1 January 2018 and will replace IAS 39 Financial Instruments: recognition and measurement. The new standard consists of three parts: classification and valuation, impairment and hedge accounting.

During 2017, Kommuninvest's work with IFRS 9 has continued to be focused, given the opportunities available in the standard, on providing as fair a picture as possible of Kommuninvest's operations. The process is expected to be completed in the third quarter of 2017 and the first reporting in accordance with IFRS 9 will be for 30 June 2018.

The classification, which in turn determines the valuation, is set on the initial reporting date in one of three different categories based on the characteristics of the asset and the company's business model. The change is expected to have limited consequences for the Company's lending portfolio, where the majority of the loans will still be valued at accrued cost. Loans that are valued at fair value through the income statement due to misleading relationships in the accounts are expected to continue to be measured at fair value through the income statement.

For the liquidity portfolio, investments currently classified as "Available-for-sale financial assets" are expected to be valued at accrued cost. Holdings that are currently valued at fair value through the income statement due to misleading relationships in the accounts are expected to continue to be measured at fair value through the income statement.

IFRS 9 entails new principles regarding the impairment of financial assets, with the model being based on expected losses. The purpose of the new model includes provisions for credit losses being made at an earlier stage.

Assets that are expected to be subject to impairment testing are investments and loans that are not valued at fair value through the income statement and off-balance sheet guarantee commitments. Kommuninvest's highly specific business model, in which loans are provided only to members of the Kommuninvest Cooperative Society and guaranteed by the members for their majority-owned companies, and where investments are only held in companies with high creditworthiness, means that provisions for expected credit losses are assessed as amounting to insignificant sums and with the impact on earnings, position and capital base being assessed as marginal. To date, Kommuninvest has not suffered any credit losses in its lending or investment activities in Kommuninvest's 30-year history.

The new principles for hedge accounting provide better condition for accounting that gives a true and fair view of a company's management of financial risks with financial instruments. Kommuninvest has not decided whether IFRS 9, in this respect, will apply from January 2018, or if IAS 39 will continue to apply until IFRS 9 has been supplemented with rules on the accounting of macro hedges.

The overarching impact on reported earnings and position, and thereby on Kommuninvest's capital base, due to the introduction of IFRS 9 is expected to amount to insignificant sums.

Other new or amended international accounting standards that have been published but that are yet to be implemented are deemed to have a limited effect on Kommuninvest's net profit, position, disclosure, capital requirements, capital basis or major exposures.

Interest revenues and interest expenses
Kommuninvest's interest income consists of interest income from loans and investments, as well as interest income and interest expenses from derivatives that hedge loans and investments.

Kommuninvest's interest expenses consist of interest expenses on funding, as well as interest income and interest expenses from derivatives that hedge funding.

Since derivative contracts allow interest to be received in the payment leg, the prevailing interest situation means, in many cases, that Kommuninvest has earned interest on funding and its derivative hedging. This has led to total interest expenses being positive.

Since 1 September 2015, Kommuninvest grants lending at negative interest rates. This negative interest income is reported as interest expense - for more information, see Note 3.

Note 2 Financial assets and liabilities

30 June 2017	Financial assets at fair value through the income statement		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	7,964.7	-	-	-
Lending to credit institutions	-	-	4,020.8	-
Lending	80,676.6	-	215,923.4	-
Bonds and other interest-bearing securities	25,396.6	-	-	-
Derivatives	-	8,306.8	-	-
Other assets	-	-	1,267.2	-
Total	**114,037.9**	**8,306.8**	**221,211.4**	**-**
Liabilities to credit institutions[1]	-	-	-	-
Securities issued[1]	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	**-**	**-**	**-**	**-**

31 December 2016	Financial assets at fair value through the income statement		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	9,448.0	-	-	-
Lending to credit institutions	-	-	1,122.3	-
Lending	95,601.1	-	181,381.0	-
Bonds and other interest-bearing securities	32,633.8	-	-	-
Derivatives	-	16,968.6	-	-
Other assets	-	-	11.8	-
Total	**137,682.9**	**16,968.6**	**182,515.1**	**-**
Liabilities to credit institutions[1]	-	-	-	-
Securities issued[1]	-	-	-	-
Derivatives	-	-	-	-
Other liabilities	-	-	-	-
Subordinated liabilities	-	-	-	-
Total	**-**	**-**	**-**	**-**

1) Nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 367,864.8 (278,543.1) million.

Valuation of financial instruments

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

General

For financial instruments, fair value calculations are to be divided according to the following three levels:

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

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

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

The majority of financial instruments in Kommuninvest's debt and investment portfolio are traded on active markets with quoted prices in accordance with level 1. For a small portion of the debt and investment portfolio, all lending and derivatives not traded on an active market with quoted prices, accepted and well-established valuation techniques are applied to deter-

Available-for-sale financial assets	Financial liabilities at fair value through the income statement		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Held for trade				
28,111.5	-	-	-	-	36,076.2	36,076.2
-	-	-	-	-	4,020.8	4,020.8
-	-	-	-	-	296,600.0	296,841.6
5,811.6	-	-	-	-	31,208.2	31,208.2
-	-	-	-	6,351.6	14,658.4	14,658.4
-	-	-	-	-	1,267.2	1,267.2
33,923.1	**-**	**-**	**-**	**6,351.6**	**383,830.8**	**384,072.4**
-	2,105.8	-	6,330.3	-	8,436.1	8,436.1
-	134,238.2	-	223,203.6	-	357,441.8	356,148.9
-	-	8,832.7	-	888.4	9,721.1	9,721.1
-	-	-	406.0	-	406.0	406.0
-	-	-	1,000.0	-	1,000.0	1,094.1
-	**136,344.0**	**8,832.7**	**230,939.9**	**888.4**	**377,005.0**	**375,806.2**

Available-for-sale financial assets	Financial liabilities at fair value through the income statement		Other financial liabilities	Derivatives that are used for hedge reporting	Total recognised value	Fair value
	Financial liabilities determined as belonging to this category	Held for trade				
7,516.4	-	-	-	-	16,964.4	16,964.4
-	-	-	-	-	1,122.3	1,122.3
-	-	-	-	-	276,982.1	277,002.9
9,370.1	-	-	-	-	42,003.9	42,003.9
-	-	-	-	7,481.2	24,449.8	24,449.8
-	-	-	-	-	11.8	11.8
16,886.5	**-**	**-**	**-**	**7,481.2**	**361,534.3**	**361,555.1**
-	2,394.4	-	1.7	-	2,396.1	2,396.1
-	144,686.7	-	196,892.7	-	341,579.4	343,012.4
-	-	8,184.5	-	1,206.0	9,390.5	9,390.5
-	-	-	803.3	-	803.3	803.3
-	-	-	1,000.0	-	1,000.0	1,039.1
-	**147,081.1**	**8,184.5**	**198,697.7**	**1,206.0**	**355,169.3**	**356,641.4**

mine fair value based on observable market data in accordance with level 2. For a small portion of financial instruments in Kommuninvest's debt portfolio with input data not observable through the market or proprietary assessments, material effects on the valuation of these instruments are, accordingly, classified under level 3.

Lending
Fair value has been calculated via a discount of anticipated future cash flows, the discount rate being set to the swap rate adjusted by current new lending margins. This means that if new lending margins rise, the fair value lower of existing loans will decline and vice versa.

Sovereign bonds eligible as collateral, and bonds and other interest-bearing securities
In the valuation of securities, the quoted price of the asset is used. If trading is considered to occur on an active market, the valuation is classified under level 1, while other securities are classified under level 2.

Liabilities to credit institutions, securities issued and subordinated liabilities
Funding is valued in the same way as by market participants holding the debt as an asset, either through quoted market prices or by discounting anticipated future cash flows. The discount rate is set to swap rate, adjusted for current funding margins, for the structure of the funding and for the market

Note 2, continued

by using similar issues by the organisation or similar issuers. For funding in currencies other than SEK, EUR and USD, the current funding margin is set as the funding margin in USD plus the currency basis spread between the currency concerned and USD. Market prices used for valuation are mid-prices. Funding expected to be traded in an active market are classified in level 1. Funding valued at quoted prices, not deemed as traded in an active market, are classified in level 2. Funding valued based on discounted future cash flows are classified in level 2, with the exception of funding for which anticipated future cash flows are attributable to significant non-observable market data, which are classified in level 3. The members' guarantee undertaking affects the valuation of funding and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins.

Derivatives

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

Lending to credit institutions, other assets and other liabilities

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

Significant assumptions and uncertainty factors

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

An increase in the lending price, in relation to swap rates, by 10 basis points on the receivables recognised at fair value would mean a negative change in net profit of SEK 185 (207) million. An increase in the funding cost, in relation to swap rates, by 10 basis points on the liabilities recognised at fair value would mean a positive change in income of SEK 240 (259) million. A parallel displacement in the lending and funding price, in relation to swap rates, by 10 basis points would mean a change in net profit of SEK +/-54 (+/– 52) 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 +/–15 (+/–17) million.

All of the above changes refer to 30 June 2017 (comparative figures refer to 31 December 2016) and exclude tax effects. Impact on equity relates to the tax effect.

All market value effects are unrealised, and as Kommuninvest intends to hold its assets and liabilities to maturity, this means that these values will not normally be realised. 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 funding 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 hedge these at the transaction level. The recipient leg of such a derivative always consists of the warrants in the issued security and the payment leg of the interbank interest rate +/– a fixed margin.

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

Kommuninvest has calculated the maturity at 3.2 years but estimates that, under reasonable conditions, unobservable input data lead to an average duration of prematurely cancellable funding in the interval of 1.0–4.2 years. This would have an effect on net profit in the interval SEK –2.7 million–SEK +2.1 million.

Change in value due to anticipated credit risk

With the joint and several guarantee for Kommuninvest's funding provided by the members of the Kommuninvest Cooperative Society, Kommuninvest's own credit risk is considered to be negligible. Changes are only considered to occur in Kommuninvest's own credit risk as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking that would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of liabilities are deemed attributable to general changes in the market price of credit and liquidity risk and not from changes in Kommuninvest's own credit risk.

The credit risk in lending is considered to be the same as Kommuninvest's own credit risk. Accordingly, no part of the change in the value of lending is considered to derive from changes in credit risk.

The assets in the liquidity reserve hold a very high credit rating. A change in credit risk affecting their valuation is deemed to occur only in connection with significant downgrades. Such downgrades have not occurred for any of the issuers, which is why no changes in the value of the liquidity reserve are considered to derive from changes in credit risk.

Changed valuation models

The valuation models have remained unchanged since 31 December 2016. For previous changes, see Note 28 in Kommuninvest's Annual Report for 2016.

Note 2, continued

Transfers between valuation levels
Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. During the period, financial assets of SEK 11,205.3 (1,491.2) million were transferred to level 1 from level 2, while SEK 7,378.1 (5,168.3) million was transferred to level 2 from level 1. Financial liabilities of SEK 7,169.4 (61,605.2) million were transferred to level 1 from level 2, while SEK 1,641.4 (–) million was transferred to level 2 from level 1. The transfers are related to variations in the indicator used by Kommuninvest to demarcate between level 1 and level 2. The indicator takes into account the number of observations and the standard deviation for bond prices. The transfers are considered to have taken place on 30 June 2017 and 31 December 2016 for the preceding period.

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

Financial instruments measured at fair value in the balance sheet

30 June 2017	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	8,290.9	27,785.3	-	36,076.2
Lending	-	80,676.6	-	80,676.6
Bonds and other interest-bearing securities	19,107.7	12,100.5	-	31,208.2
Derivatives	-	14,405.4	253.0	14,658.4
Total	**27,398.6**	**134,967.8**	**253.0**	**162,619.4**
Liabilities to credit institutions	-	2,105.8	-	2,105.8
Securities issued	97,787.8	31,173.1	5,277.3	134,238.2
Derivatives	0.0	9,589.1	132.0	9,721.1
Total	**97,787.8**	**42,868.0**	**5,409.3**	**146,065.1**

31 December 2016	Level 1	Level 2	Level 3	Total
Sovereign bonds eligible as collateral	7,370.4	9,594.0	-	16,964.4
Lending	-	95,601.1	-	95,601.1
Bonds and other interest-bearing securities	32,324.4	9,679.5	-	42,003.9
Derivatives	-	24,227.2	222.6	24,449.8
Total	**39,694.8**	**139,101.8**	**222.6**	**179,019.2**
Liabilities to credit institutions	-	2,394.4	-	2,394.4
Securities issued	100,634.1	37,799.1	6,253.5	144,686.7
Derivatives	0.0	9,202.3	188.2	9,390.5
Total	**100,634.1**	**49,395.8**	**6,441.7**	**156,471.6**

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 2016	**296.2**	**-1,474.7**	**-**	**-3,913.7**	**-5,092.2**
Recognised gains and losses:					
– recognised in the income statement (net result of financial transactions)	-73.5	1,286.5	-	-1,210.9	2.1
Borrowings raised/securities Issued	-	-	-	-2,428.4	-2,428.4
Matured during period	-	-	-	1,299.5	1,299.5
Closing balance, 31 December 2016	**222.7**	**-188.2**	**-**	**-6,253.5**	**-6,219.0**
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 2016	442.6	188.8	-	-629.8	**1.6**
Opening balance, 1 January 2017	**222.7**	**-188.2**	**-**	**-6,253.5**	**-6,219.0**
Recognised gains and losses:					
– recognised in the income statement (net result of financial transactions)	30.4	56.2	-	-84.6	2.0
Borrowings raised/securities issued	-	-	-	-2,390.0	-2,390.0
Matured during period	-	-	-	3,450.8	3,450.8
Closing balance, 30 June 2017	**253.1**	**-132.0**	**-**	**-5,277.3**	**-5,156.2**
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 December 2017	75.1	-18.0	-	-56.8	**0.3**

Because the instruments in level 3 are hedged on a transaction basis, and each funding combination behaves as a funding combination in level 2, the changes in value in level 3 are analysed in the same manner as in level 2.

Note 2, continued

Financial instruments not measured at fair value in the balance sheet

30 June 2017	Level 1	Level 2	Level 3	Total	Recognised value
Lending to credit institutions	-	4,020.8	-	4,020.8	4,020.8
Lending	-	216,165.0	-	216,165.0	215,923.4
Other assets	-	1,267.2	-	1,267.2	1,267.2
Total	**-**	**221,453.0**	**-**	**221,453.0**	**221,211.4**
Liabilities to credit institutions	-	6,330.3	-	6,330.3	6,330.3
Securities issued	173,732.5	48,178.2	-	221,910.7	223,203.6
Other liabilities	-	406.0	-	406.0	406.0
Subordinated liabilities	-	1,094.1	-	1,094.1	1,000.0
Total	**173,732.5**	**56,008.6**	**-**	**229,741.1**	**230,939.9**

31 December 2016	Level 1	Level 2	Level 3	Total	Recognised value
Lending to credit institutions	-	1,122.3	-	1,122.3	1,122.3
Lending	-	181,401.8	-	181,401.8	181,381.0
Other assets	-	11.8	-	11.8	11.8
Total	**-**	**182,535.9**	**-**	**182,535.9**	**182,515.1**
Liabilities to credit institutions	-	1.7	-	1.7	1.7
Securities issued	88,051.9	110,273.8	-	198,325.7	196,892.7
Other liabilities	-	803.3	-	803.3	803.3
Subordinated liabilities	-	1,039.1	-	1,039.1	1,000.0
Total	**88,051.9**	**112,117.9**	**-**	**200,169.8**	**198,697.7**

Note 3 Net interest income

Interest revenues	Jan-June 2017	Jan-June 2016	Jan-Dec 2016
Lending	255.0	341.2	603.3
Interest-bearing securities	16.7	7.8	49.4
Other	0.6	0.1	1.3
Total	**272.3**	**349.1**	**654.0**
Of which: interest income from financial items not measured at fair value through the income statement	187.5	261.5	481.7
Interest expenses			
Liabilities to credit institutions	-0.9	-2.4	-4.8
Interest-bearing securities	254.6	103.4	298.8
Lending, negative lending rate	-77.1	-62.8	-151.0
Other	-24.5	-14.6	-35.0
Total	**152.1**	**23.6**	**108.0**
Of which: interest expense from financial items not measured at fair value through the income statement[1]	-154.1	-189.0	-332.6
Total net interest income	**424.4**	**372.7**	**762.0**

1) Interest from derivatives that financially hedge funding is recognised as an interest expense. Since derivative contracts allow interest to be received in the payment leg, the prevailing interest situation means, in many cases, that Kommuninvest has earned interest on funding and its hedging. This has led to the total interest expense for financial items measured at fair value being positive.

Kommuninvest considers all income and expenses to be attributable to the country in which the Company has its registered office, Sweden. In this note, income is recognised as positive and expenses as negative. For further information on net interest for the period, please see the Profit/loss section in the Financial accounts on page 7.

Note 4 Information on financial assets and liabilities subject to offsetting

Kommuninvest offsets assets and liabilities in the balance sheet where there is a legal right to do so and the intention is to settle the items net, which occurs for Kommuninvest's derivative assets and liabilities towards central counterparties for clearing.

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

For non-cleared derivatives carried out under ISDA Master agreements, all payment flows with a particular counterparty that mature on the same date are, to the greatest extent possible, netted in each currency to a net amount to be paid by one counterparty to another. For specific events, such as past-due payment, bankruptcy, etc. all transactions are concluded with that counterparty, as assessment is conducted and a net settlement is made.

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

				Related amounts that are not offset in the balance sheet			
30 June 2017	**Financial assets and liabilities, gross amounts**	**Amounts offset in the balance sheet[1]**	**Net amount reported in the balance sheet**	**Financial instruments**	**Provided (+)/ Received (–) collateral – security**	**Provided (+)/ Received (–) cash collateral**	**Net amount**
Assets							
Derivatives	15,052.2	-393.8	**14,658.4**	-6,375.4	-7,716.9	-17.6	**548.5**
Repos[2]	3,527.0	-	**3,527.0**	-	-3,512.1	-	**14.9**
Liabilities							
Derivatives	-10,281.9	560.8	**-9,721.1**	6,375.4	435.1	1,233.2	**-1,677.4**
Total	**8,297.3**	**167.0**	**8,464.3**	**0.0**	**-10,793.9**	**1,215.6**	**-1,114.0**

				Related amounts that are not offset in the balance sheet			
31 Dec 2016	**Financial assets and liabilities, gross amounts**	**Amounts offset in the balance sheet[1]**	**Net amount reported in the balance sheet**	**Financial instruments**	**Provided (+)/ Received (–) collateral – security**	**Provided (+)/ Received (–) cash collateral**	**Net amount**
Assets							
Derivatives	24,565.2	-115.4	**24,449.8**	-7,949.1	-15,623.0	-	**877.7**
Repos[2]	-	-	**-**	-	-	-	**-**
Liabilities							
Derivatives	-9,866.7	476.2	**-9,390.5**	7,949.1	170.9	-	**-1,270.5**
Total	**14,698.5**	**360.8**	**15,059.3**	**0.0**	**-15,452.1**	**-**	**-392.8**

1) The amount offset for derivative liabilities includes cash collateral of SEK 167 million as per 30 June 2017 and SEK 360 million as per 31 December 2016.

2) Repos are included in Lending to credit institutions.

Note 5 Capital adequacy

Since 1 January 2014, capital adequacy has been calculated according to CRR[1]. 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 IV[2] first require implementation under Swedish law, which has been effectuated through the Act concerning capital buffers (2014:966). For Kommuninvest, only the capital conservation buffer of 2.5 percent applies, as well as the countercyclical buffer, which Finansinspektionen has set at 2.0 percent effective from 19 March 2017 (previously 1.5 percent) for relevant exposures within Sweden. Kommuninvest is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution.

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.

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.

	30 June 2017	30 June 2016	31 Dec 2016
Share capital[1]	6,100.0	5,417.1	5,417.1
Non-distributed retained earnings[2]	386.7	434.7	386.7
Accumulated other comprehensive income and other reserves	34.7	16.8	27.3
Core Tier 1 capital prior to regulatory adjustments	**6,521.4**	**5,868.6**	**5,831.1**
Further value adjustments[3]	-174.0	-161.6	-190.0
Total regulatory adjustments to core Tier 1 capital	**-174.0**	**-161.6**	**-190.0**
Total core Tier 1 capital	**6,347.4**	**5,707.0**	**5,641.1**
Tier 1 capital contributions	-	-	-
Total Tier 1 capital	**6,347.4**	**5,707.0**	**5,641.1**
Debenture loan[4]	1,000.0	1,000.0	1,000.0
Total Tier 2 capital	**1,000.0**	**1,000.0**	**1,000.0**
Total capital	**7,347.4**	**6,707.0**	**6,641.1**

1) For a more detailed description of the instruments included in share capital, see page 9.

2) As per 30 June 2017, deductions of SEK 408.0 million have been made, which refer to the portion of 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. For 30 June 2016 and 31 December 2016, the amounts were SEK 10.9 million and – respectively.

3) Deductions calculated according to the EBA's technical standard regarding prudent valuation. The purpose is to adjust the uncertainty in valuation regarding positions valued and recognised at fair value.

4) 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.

	30 June 2017		30 June 2016		31 Dec 2016	
Capital requirement	**Risk exposure**	**Capital requirement**	**Risk exposure**	**Capital requirement**	**Risk exposure**	**Capital requirement**
Capital requirement for credit risks (the standardised method)	1,737.8	139.1	2,764.2	221.1	2,274.1	181.9
of which, exposures to states and central banks	-	-	*70.2*	*5.6*	*70.2*	*5.6*
of which, institutional exposures	*355.7*	*28.5*	*699.0*	*55.9*	*550.6*	*44.1*
of which, corporate exposures	*124.8*	*10.0*	*103.2*	*8.3*	*91.8*	*7.3*
of which, exposures in the form of covered bonds	*1,257.3*	*100.6*	*1,891.8*	*151.3*	*1,561.5*	*124.9*
Operational risks, basic indicator method	1,628.2	130.3	1,861.1	148.9	1,628.2	130.3
Market risks	-	-	-	-	-	-
Credit valuation adjustment	1,131.2	90.5	2,891.1	231.3	1,536.1	122.9
Total risk exposure amounts and minimum capital amounts	**4,497.2**	**359.9**	**7,516.4**	**601.3**	**5,438.4**	**435.1**

Capital adequacy ratios	30 June 2017	30 June 2016	31 Dec 2016
Core Tier 1 capital ratio	141.1%	75.9%	103.7%
Tier 1 capital ratio	141.1%	75.9%	103.7%
Total capital ratio	163.4%	89.2%	122.1%
Buffer requirements	**30 June 2017**	**30 June 2016**	**31 Dec 2016**
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical buffer	1.7%	1.2%	1.2%
Total buffer requirements	**4.2%**	**3.7%**	**3.7%**
Core Tier 1 capital available for use as buffer	**135.1%**	**69.9%**	**97.7%**

Internally estimated capital requirements

Capital requirement	30 June 2017	30 June 2016	31 Dec 2016
Credit risk	24.5	36.3	28.9
Market risks[1]	1,630.9	858.9	1,505.1
Liquidity risk	-	32.9	-
Operational risks	-	-	-
Business risk	-	-	-
Reputation risk	-	11.6	-
Strategic risks	-	-	-
Residual risk	-	-	-
Total risk exposure amounts and minimum capital amounts	**1,655.4**	**939.7**	**1,534.0**

1) The internally assessed capital requirement for market risks increase significantly in relation to 30 June 2016. The increase is not due to a change in risk-taking, but rather to changes in the calculation. As for 30 June 2016, the calculations for 30 June 2017 and 31 December 2016 are based on a scenario analysis, although, since 30 June 2016, a scenario has been added that includes the market stress during the financial crisis of 2008, which strongly increases the worst outcomes.

The aim of Kommuninvest's capital planning is for all operations to be adequately capitalised to meet both current and future regulatory requirements. For further information on the Company's internal capital assessment and capital plan, see pages 37–38 of the 2016 Annual Report.

For information to be disclosed under Commission Implementing Regulation No 1423/2013 of 20 December 2013 on technical standards for implementation the disclosure requirements for capital base for institutions according to European Parliament and Council Regulation (EU) No 575/2013 and Finansinspektionen's (Swedish Financial Supervisory Authority) rules and general advice for annual accounts from credit institutions and securities companies, FFFS 2008:25, see the Kommuninvest website.

Note 6 Leverage ratio

Leverage ratio is defined as the Tier 1 capital divided by total exposures in assets and commitments. Regarding the lending portfolio and the liquidity reserve, the exposure corresponds to the recognised value. For derivatives assets the exposure is calculated by totalling all exposures in individual netting agreements with derivatives counterparties. To this exposure amount, a possible future exposure amount is added, calculated according to the standardised method (the market valuation method) established in the EU Capital Requirements Regulation, CRR. Off-balance sheet commitments are also assigned an exposure value. The exposure amount is calculated based on the probability that the commitment will be utilised. For Kommuninvest, this affects issued loan commitments.

	30 June 2017	30 June 2016	31 Dec 2016
Total assets	383,980.7	367,146.6	361,725.4
Less asset amounts deducted to determine the core Tier 1 capital	-174.0	-161.6	-190.0
Less derivatives according to the balance sheet	-14,658.4	-25,269.4	-24,449.8
Plus derivatives exposure	8,283.0	15,527.7	16,500.7
Plus possible change in derivatives risk	4,957.5	6,033.1	5,450.9
Plus possible change in repo transaction risk	13.2	-	-
Plus off-balance sheet commitments	2,393.6	1,692.9	1,765.4
Total exposure	**384,795.6**	**364,969.3**	**360,802.6**
Tier 1 capital, calculated applying transitional rules, see Note 5	**6,347.4**	**5,707.0**	**5,641.1**
Leverage ratio	**1.65%**	**1.56%**	**1.56%**

Kommuninvest has a capital plan for achieving the future statutory leverage ratio requirement, for further information see page 10 and pages 37–38 of the 2016 Annual Report.

Note 7 Transactions with related parties

Transactions with related parties are disclosed in Note 26 of Kommuninvest's Annual Report for 2016. Effective from 1 June 2017, neither Sandahl Partners Örebro AB nor Malin Norbäck Consulting AB provide key people in senior posts and, accordingly, those companies are no longer classified as related parties. Otherwise, no significant changes have taken place in relationships or transactions with related parties compared with those described in the Annual Report for 2016.

Note 8 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 is operations. In accordance with chapter 7, section 6a of ÅRKL, Kommuninvest i Sverige AB will not prepare consolidated accounts since its subsidiary is of limited significance in presenting a fair portrayal of position and net profit. Kommuninvest Fastighets AB has a balance sheet total of SEK 55.0 (57.7) million, equity of SEK 44.4 (43.6) million and generated a net profit of SEK 791.7 (591.7) thousand for the first six months of the year.

Note 9 Events after the balance sheet date

No significant events have occurred after the end of the reporting period.

Alternative performance measurements

In this interim report, Kommuninvest i Sverige AB has chosen to present a number of alternative performance measurements that are not defined or specified in the applicable rules on financial reporting. These alternative performance measurements have been defined in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

Alternative performance measurement	Definition
Operating profit excluding the effect of unrealised market value changes	Operating profit reduced with the outcome of unrealised changes in market value included in the income statement item Net result of financial transactions. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.
Leverage ratio including debenture loan (%)	Kommuninvest's Tier 1 capital plus the debenture loan divided by Kommuninvest's total exposure measure. The debenture loan comprises in its entirety the balance sheet item Subordinated liabilities. The key ratio is of interest in showing how Kommuninvest meets the future regulatory leverage ratio requirement, since the intention is to convert the debenture loan into share capital.

Reconciliation	Jan–Jun 2017	Jan–Jun 2016	Jan–Dec 2016
Operating profit	523.7	14.0	398.2
Result of unrealised changes in market value	230.1	–257.7	-195.5
Operating profit excluding the effect of unrealised market value changes	**293.6**	**271.7**	**593.7**
	30 June 2017	**30 June 2016**	**30 Dec 2016**
Tier 1 capital	6,347.4	5,707.0	5,641.1
Debenture loan	1,000.0	1,000.0	1,000.0
Tier 1 capital including debenture loan	**7,347.4**	**6,707.0**	**6,641.1**
Exposure measures	384,795.6	364,969.3	360,802.6
Leverage ratio including debenture loan (%)	**1.91%**	**1.84%**	**1.84%**

Board member signatures

The Board of Directors hereby declares that this half-year 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, 29 August 2017

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

Lars Heikensten
Board Member

Åsa Zetterberg
Board Member

Nedim Murtic
Employee representative

Ulrika Gonzalez Hedqvist
Employee representative

Tomas Werngren
President and CEO

The report contains information that Kommuninvest is required to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 30 August 2017 at 8.00 a.m.

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 2017 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 is based on a review and, accordingly, does not provide the same degree of assurance as an opinion based on an audit.

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, 29 August 2017

KPMG

Anders Tagde
Authorised Public Accountant

Production: Kommuninvest and Intellecta Corporate. Photo: Melker Dahlstrand

KOMMUNINVEST
The Swedish Local Government Debt Office

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