

KOMMUNINVEST I SVERIGE AB

Interim report 2019



KOMMUNINVEST

Working together for better terms

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

**277
+ 12**

Kommuninvest is owned by 277 municipalities and 12 regions.



Green Loans

Green Loans were introduced in 2015 for the financing of environmental and climate related investments. Since the launch, the volume of approved Green Loans has increased to SEK 52 billion.

Our vision

Kommuninvest shall be the world's best organisation for local government financial administration. We finance the development of Sweden's local and regional sectors, as well as investments for a sound and sustainable society.

Basic concept

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

Organisation with clear division of roles

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

Kommuninvest Cooperative Society

Administrates membership and the joint and several guarantee.

The Board of Directors consists of elected politicians from municipalities and 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.

AAA

Aaa

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

Since 1986

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

**SEK
385
billion**

On 30 June 2019, lending to members amounted to SEK 385 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 2019

Comparative income statement figures relate to the corresponding six month period in the preceding year (1 January – 30 June 2018) unless otherwise indicated. Comparative figures relating to the balance sheet and to risk and capital-related data refer to 31 December 2018 unless otherwise indicated.

While every care has been taken in translation, readers are reminded that the original report, signed by the Board of Directors, is in Swedish.

Comment from the CEO

When the European Central Bank, the ECB, introduced negative interest rates in June 2014, the intention was for this to be a temporary measure. Five years later, negative interest rates are more widespread than ever before, both geographically and in terms of maturity, while opinion is divided regarding the effects. In the long term, demand for bond investments may be affected.

For Swedish municipalities and regions, these interest levels partly explain why financing costs currently account for only a small share of the sector's total expenditure. This is naturally welcome as other costs increase, partly due to rising personnel expenditure and many investments starting to be brought into operation. The local government sector's financial situation has grown more strained of late, with earnings down and a weakened earnings trend. In our assessment, however, the sector's greatest challenge is not debt, which is relatively stable compared with GDP, but skills supply and the impact of this on expenditure. The challenges stem largely from the demographic trend, with an increasing proportion of older and younger people in relation to the proportion of inhabitants of working age.

Kommuninvest's lending growth during the first half of the year exceeded our expectations and is being driven by both a high level of investment in the local government sector, as well as an increase in the proportion of loans from Kommuninvest. The trend of more members arranging an increasing share of their total funding through Kommuninvest is continuing. Today, more than 200 members, mainly small and medium-sized municipalities, have arranged more than 95 percent of their funding through Kommuninvest. We are pleased to note, however, that the larger local government borrowers are also moving in a similar direction. This demonstrates that the local government debt office, the tool established by the sector for secure and efficient financing, is working.

One of the single most important events during the period was the publication of the EU's new capital requirements regulation and directive (CRR/CRD). The introduction of a definition regarding public development credit institutions affords Kommuninvest more



Tomas Werngren, President and CEO

reasonable conditions and capital requirements, which we naturally welcome. At the same time, it can be noted that no corresponding change has occurred with regard to requirements on our reporting to government authorities, which is challenging since it drives up expenses.

It is gratifying that our members and customers continue to choose Green Loans to finance environmental and climate-related investment projects, particularly given the increasingly tangible consequences of climate change. More than 280 green investment projects are now being financed in some 125 municipalities and regions. As a result, Kommuninvest has been able to continue issuing Green Bonds and is Sweden's largest player in this area.

Helping streamline and enhance municipalities' and regions' financial management processes is our primary task. This is expressed, for example, through the automation and digitalisation of our product and service offerings. One notable change is the introduction of digital signatures when raising loans, as is now possible for most customers.

Tomas Werngren
President and CEO

Market

The world economy and the financial markets

Although the global economy continues to grow, the pace of growth has slowed, due partly to political and financial uncertainty. Concerns include risks associated with increased global trade barriers, Brexit, weaker inflation and political tensions, with the main players being the United States, China and Iran. Global economic growth of around 3 percent is expected for 2019.

Globally, long-term interest rate trends have been declining since the beginning of the year. Worries of a trade war and political tensions have led to falling inflation expectations and this has contributed to declining interest rates. Over the period, the US ten-year interest rate fell to about 2 percent, while, at the same time, ten-year German and Swedish sovereign bond rates have fallen to lows on a par with 2016. Due to indications of weakening economic development, expectations of interest rate hikes have been postponed, in turn driving up the stock exchanges over the period.

Both the Federal Reserve (Fed) and the European Central Bank (ECB) left their key rates unchanged during the period. Both Fed and ECB have, however, indicated that they are seeing signs of recession and that monetary policy stimuli may be necessary. The ECB has also announced that it is reviewing a potential reintroduction of its quantitative easing programme. Apart from the Riksbank's interest rate hike to -0.25 percent at the

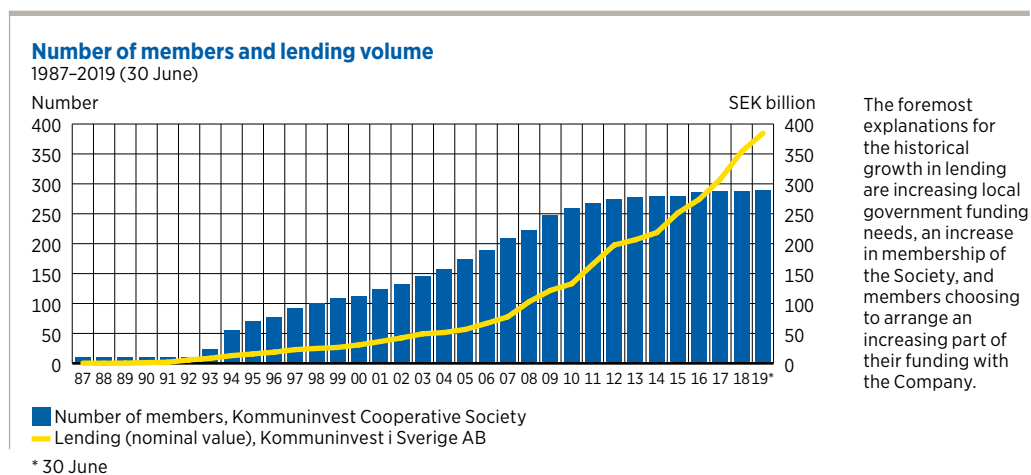
beginning of the year, its interest rate path looks, based on macro data, set to remain unchanged, conveying the message that an "increase will occur towards the end of the year or early next year".

Early in the year, the SEK weakened significantly against both the USD and the EUR. The SEK has, however, recovered somewhat in the latter part of the period. The Swedish inflation figures issued in May were a contributing factor that grew somewhat stronger than expected combined with the softer stance of the ECB and the Fed.

Swedish GDP has increased slightly since last year, although a downturn is expected later in the year. Decreased housing construction and declining investment, combined with weaker exchange rates for the SEK, have entailed export markets accounting for much of this growth. Unemployment is expected to remain at around 6 percent.

There are signs that the Swedish economy is starting to slow, resulting in decreased employment and lower tax revenues, for example. This may have a negative impact on the Swedish local government sector. Following strong financial results, the local government sector is now forecasting weaker development in 2019.

In recent years, the local government sector has experienced increasing population figures, poorer demographic conditions and a trend of urbanisation. The challenges facing the local



government sector include balancing major investment and recruitment needs with good financial management and stable finances.

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 2019, the Society had 289 (288) members (partners), of which 277 (277) were municipalities and 12 (11) were regions. Consequently, 96 (96) percent of Sweden's municipalities and 60 (55) percent of Sweden's regions were members (partners) in the Society. During the period, Region Blekinge joined as a new member.

Local government debt

During the period, Swedish municipalities and regions were again able to meet their funding needs efficiently through Kommuninvest, the capital market and the banking system. Kommuninvest estimates that the local government sector's external loan debt had risen by SEK 35 billion to SEK 679 (644) billion as per 30 June 2019, compared with the year-end, corresponding to 13.9 (13.4) percent of GDP.

The local government sector's funding is characterised by short maturities and short-term interest rates. At the end of the period,

the average amount of time during which capital was tied up was 2.8 years and 56 percent of funding was based on variable rates of interest. By using derivatives the average period of fixed interest was extended to 2.9 years. The average interest rate on loan debt was 1.25 percent, a decrease of 16 basis points over one year.

Kommuninvest's lending

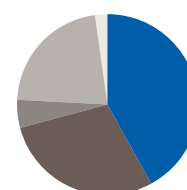
As per 30 June 2019, Kommuninvest's lending amounted to SEK 384,625.8 (353,946.1) million, an increase of 9 (7) percent. The recognised value of the lending was SEK 388,448.6 (355,710.0) million. Kommuninvest estimates that 57 (55) percent of the municipal loan debt thus is financed via Kommuninvest. In the past 12-month period, Kommuninvest's lending has grown twice as fast as the sector as a whole.

Kommuninvest's competitiveness, expressed as the percentage of accepted bids, has remained strong. Based on nominal volumes, the bid acceptance rate amounted to 99 (99) percent. The bid statistics do not reflect funding by the Society's members through proprietary funding programmes.

Of the total lending, municipalities accounted for 42 (41) percent, municipal housing companies for 29 (30) percent and other municipal companies for 27 (27) percent. Lending to regions accounted for 2 (2) percent.

Lending portfolio by borrower category

30 Jun 2019 (31 Dec 2018)



■ Municipalities¹ 42 (41) %
 ■ Municipal housing companies 29 (30) %
 ■ Municipal energy companies 5 (5) %
 ■ Other municipal companies 22 (22) %
 ■ Regions 2 (2) %

Kommuninvest's largest borrower groups are municipalities and municipal housing companies. As per 30 June 2019, they accounted for 71 (71) percent of the total lending.

¹) Some lending to municipalities is on-lent to municipal companies through municipal internal banks.

Multi-year summary, Kommuninvest i Sverige AB

	30 June 2019	30 June 2018	31 December 2018	31 December 2017	31 December 2016
Total assets, SEK million	469,297.4	430,756.9	417,202.1	356,942.6	361,725.4
Lending (recognised value), SEK million	388,448.6	331,404.9	355,710.0	310,147.3	276,982.1
Net profit for the period, SEK million	282.5	306.1	586.1	876.0	309.8
Members, total	289	288	288	288	286
of which, municipalities	277	277	277	277	275
of which, regions	12	11	11	11	11
Core Tier I capital ratio ¹ , %	156.3	161.3	188.4	212.4	103.7
Tier I capital ratio ² , %	156.3	161.3	188.4	212.4	103.7
Total capital ratio ³ , %	156.3	161.3	188.4	212.4	122.1
Leverage ratio according to CRR ⁴ , %	1.55	1.70	1.75	1.78	1.56

¹) Core Tier I capital in relation to total risk exposure. See also page 9 and Note 9.

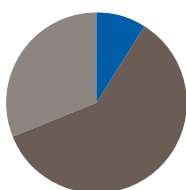
²) Tier I capital in relation to total risk exposure. See also page 9 and Note 9.

³) Total capital base in relation to total risk exposure. See also page 9 and Note 9.

⁴) Tier I capital in relation to total assets and commitments (exposures). See also pages 9-10 and Note 10.

New funding by currency*

1 Jan-30 Jun 2019
(1 Jan-30 Jun 2018)

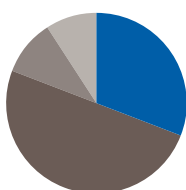


- JPY 9 (10) %
- SEK 60 (41) %
- USD 31 (48) %
- TRY - (1) %
- ZAR 0 (0) %
- AUD 0 (-) %

*excl. commercial paper funding

New funding by programme*

1 Jan-30 Jun 2019
(1 Jan-30 Jun 2018)



- Benchmark funding 31 (47) %
- Swedish benchmark programme 50 (38) %
- Green Bonds 10 (3) %
- Uridashi 9 (12) %

*excl. commercial paper funding

The period's contracted lending consisted of 89 (84) percent loans with capital tied up for more than one year and 11 (16) percent loans with capital tied up for one year or less. Loans with capital tied up for one to three years accounted for 19 (21) 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 2.7 years and was thus unchanged compared with 30 June 2018.

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 2019, the green portfolio included 284 approved green projects, corresponding to SEK 52,334.8 million to 124 municipalities and regions. This can be compared with the end of 2018 when the portfolio amounted to SEK 39,503.3 million regarding 232 investment projects among 109 municipalities and regions. The corresponding amount for disbursed Green loans was SEK 34,678.6 million as of June 30, 2019 and SEK 26,240.3 million at year-end. The proportion of Green loans in relation to total lending is based on disbursed volume and amounted to 9.0 (7.4) percent.

Kommuninvest's funding

Kommuninvest finances its lending to municipalities and regions by raising funds on the Swedish and international capital markets. The Company's strategy is to raise funds from its strategic funding markets, comprising those in SEK, USD and so-called Uridashi funding from the Japanese market. Kommuninvest strives to maintain an even distribution between domestic and international funding over time.

Continued favourable demand for low-risk issuers made it possible for Kommuninvest to continue funding on favourable terms during the period. At the end of the period, total outstanding funding amounted to SEK 448,444.6 million, compared with SEK 397,380.9 million at the end of 2018.

During the period, funding in long-term debt instruments with a maturity of more than one year was raised for an amount corresponding to SEK 74,990.5 (87,950.0) million. In addition, funding with potential early termination within one year was agreed for an amount corresponding to SEK 7,542.3 (9,225.1) million.

Funding through short-term commercial papers, with maturities of less than one year, amounted to SEK 23,917.9 (34,651.4) million. Funding is conducted to replace loans that mature or are cancelled, to finance new loans in the lending operations and to adjust the size of the liquidity reserve according to the current market view and liquidity preparedness requirements. Previously issued funding instruments were repurchased to a value of SEK 9,488.5 (13,281.2) 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, two major benchmark fundings in USD were implemented. A total of SEK 40,900.0 (36,850.0) million was issued in the Swedish Benchmark programme. In addition to supplementary issues in existing outstanding bonds, a new bond was issued, maturing in November 2026.

During the period, Kommuninvest continued, as planned, to issue Green Bonds, which are primarily purchased by investors who want to support investments with an environmental focus. The funds borrowed through Green-Bonds finance investment projects in the Society's member municipalities, focusing on energy-efficient housing, renewable energy production and other green infrastructure.

Liquidity management

To be able to continue providing customers with financing during periods of uncertainty in the financial markets, and to ensure that matured funding can be repaid in a timely manner, Kommuninvest maintains a liquidity reserve. At the end of the period, the reserve amounted to SEK 61,700.4 (47,252.6) million, equivalent to 16 (13) percent of the lending volume.

Strict rules and a conservative approach guide Kommuninvest's liquidity reserve. According to the Company's instructions, the liquidity reserve shall ensure that the Company's commitments can be maintained while maintaining lending capacity. The size of the liquidity reserve is adjusted according to, for example, funding maturities and external factors. Guiding principles in the management of such assets are high credit quality and tradability. The liquidity reserve shall be invested short-term, with the average maturity not exceeding 12 months. Individual investments may have a maturity of 39 months at most. Direct investments are made mainly in securities issued by national governments or central banks, subsidised lenders¹ and multilateral development banks. Covered housing bonds are approved as collateral only in connection with repo transactions.

At the end of the period, 89 (86) percent of the reserve was invested in securities with the highest possible creditworthiness. Of the reserve, 81 (76) percent consisted of investments in securities issued by issuers from Sweden.

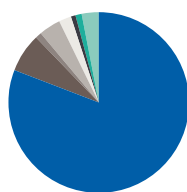
Rating

The Company holds the highest credit ratings – AAA from S&P Global Ratings and Aaa from Moody's. In February and June 2019, the rating institutes confirmed the Company's credit rating, with a stable outlook. The rating institutes highlight the joint and several guarantee undertaking between the owners of the Society, the Company's mandate from its owners to act as a local government debt office for members, the high quality of the loan portfolio and the Company's low risk tolerance.

1) Subsidised lenders refers to issuers of securities where exposures are treated as exposures to the national government in accordance with the CRR regulations. Among others, these include the Company's neighbour organisations in the other Nordic countries.

Liquidity reserve distributed by country

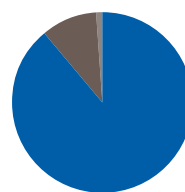
30 Jun 2019
(31 Dec 2018)



- Sweden 81 (76) %
- Germany 7 (4) %
- Supranationals 1 (7) %
- Finland 4 (7) %
- Denmark 2 (2) %
- Canada 1 (2) %
- UK 1 (2) %
- USA 3 (0) %

Liquidity reserve distributed by rating category

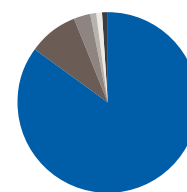
30 Jun 2019
(31 Dec 2018)



- AAA 89 (86) %
- AA 10 (12) %
- A 1 (2) %

Liquidity reserve distributed by issuer category

30 Jun 2019
(31 Dec 2018)



- National governments or central banks 85 (78) %
- Credit institutions (subsidised lenders) 9 (9) %
- Credit institutions (bank balances) 3 (4) %
- Credit institution investment repos 1 (0) %
- Multilateral development banks 1 (7) %
- Regional or local governments and authorities 1 (2) %

Financial accounts

Net profit

Kommuninvest's operating profit, its profit before tax, amounted to SEK 359.4 (391.3) million. Operating income, defined as operating profit excluding unrealised changes in market value and expected credit losses, amounted to SEK 308.6 (312.0) million.

Net interest income

Net interest income amounted to SEK 435.9 (453.7) million. Lower net interest income compared with the corresponding period in the preceding year, despite significantly increased lending, was attributable to Kommuninvest lowering the margins between its funding and lending rates in June 2018. The margin was lowered due to the introduction of a new pricing strategy that does not take unrealised changes in market value into account.

For further information regarding net interest income for the period, see Note 2.

Net result of financial transactions

The net result of financial transactions amounted to SEK 30.4 (84.8) million. The result is mainly explained by unrealised changes in market value of SEK 38.3 (86.3) million. Since Kommuninvest intends to hold its assets and liabilities to maturity, these values are not normally realised. The low overall change over the period was due to the Company cutting its lending rate in line with the decrease in funding expenses in USD.

Expenses

Total expenses amounted to SEK 118.3 (140.6) million, including the resolution fee of SEK 13.7 (34.5) million. Kommuninvest's resolution fee for 2019 has been set by the Swedish National Debt Office at SEK 27.4 (69.1) million. The resolution fee accounted for 12 (25) percent of Kommuninvest's total expenses for the period. Excluding the resolution fee, expenses amounted to SEK 104.6 (106.1) million, of which payroll expenses accounted for SEK 64.8 (64.7) million and other expenses for SEK 39.8 (41.4) million.

Credit losses

Credit losses amounted to a positive sum of SEK 12.5 (negative 7.0) million. The Company has never suffered any confirmed credit loss. All credit losses are expected credit losses calculated in accordance with the accounting standard IFRS 9. The standard requires expected credit losses to be calculated based on a forward looking analysis of the economic trend. The expected credit losses for the period amounted to a positive sum due to a change of model. For further information, see Note 4.

Assets

At the end of the period, Kommuninvest's total assets amounted to SEK 469,297.4 (417,202.1) million. Lending to municipalities and regions, which accounts for most of the assets, amounted to a recognised value of SEK 388,448.6 (355,710.0) million at the end of the period. In nominal terms, lending increased to SEK 384,625.8 (353,946.1) million, corresponding to an annual growth rate of 17 percent. The sharp increase in lending is explained by two factors. In part, funding needs are generally increasing among the Society's members due to increased investment needs and, in part, major members are increasingly choosing to use Kommuninvest as a consequence of Kommuninvest having reduced its margin.

The liquidity portfolio, consisting of the balance sheet items Sovereign bonds eligible as collateral, Lending to credit institutions and Bonds and other interest-bearing securities, increased to SEK 62,743.6 (48,531.5) million. For more information regarding the principles for liquidity management, see the Liquidity management section on pages 6–7.

Derivative assets (derivatives with positive market value) also increased to SEK 15,076.3 (11,333.2) million. The foremost reason for the changes in the scale of the derivative assets is the stronger USD, which increases the value of derivatives that hedge the currency risk from funding in USD.

Other assets amounted to SEK 2,885.6 (1,471.0) million. The increase in other assets is primarily due to collateral of SEK 2,826.2 (1,454.4) million being pledged. Pledged assets for derivatives cleared by central clearing counterparties are netted per counterparty and currency in the balance sheet, see further under Note 6. No right of netting applies for cash collateral pledged for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet. For more information on other assets, see Note 7.

Liabilities

The Company's liabilities amounted to SEK 461,411.5 (409,598.7) million and funding increased to SEK 448,444.6 (397,380.9) million over the period. Derivative liabilities (derivatives with negative market value) amounted to SEK 4,402.4 (5,959.6) million.

Other liabilities amounted to SEK 8,528.3 (6,217.5) million. Other liabilities include collateral received of SEK 7,557.6 (4,551.8) million. Collateral received for derivatives cleared by central clearing counterparties is netted per counterparty and currency in the balance sheet, see further under Note 6. No right of netting applies for cash collateral received for derivatives not cleared by a central clearing counterparty and these are therefore included in full in the balance sheet. Further information on other liabilities can be found in Note 8.

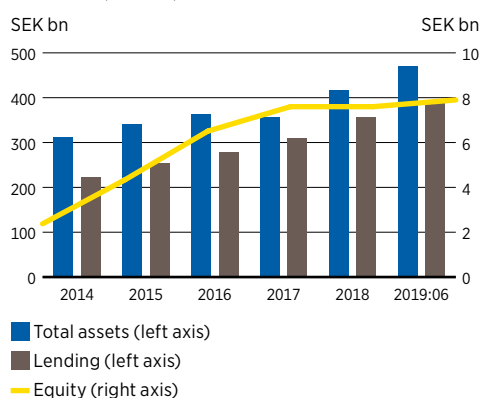
Equity

At the end of the period, equity in Kommuninvest amounted to SEK 7,885.9 (7,603.4) million, of which the share capital amounted to SEK 7,100.0 (7,100.0) million, divided between 70,999,720 (70,999,720) shares. The total share capital is attributable to the members of the Society and no shares are available for trade.

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

Kommuninvest's balance sheet

2014–2019 (30 June)



Capital adequacy

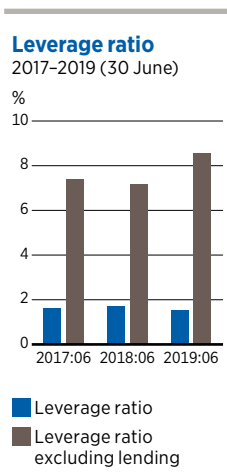
The Company is well capitalised to withstand the operations' risks, with capital ratios exceeding the prescribed minimum requirements in Pillar I and the basic requirements in Pillar II by a good margin. The core Tier I capital amounted to SEK 7,415.5 (7,425.2) million, entailing a core Tier I capital ratio of 156.3 (188.4) percent. The Company's capital base consists solely of core Tier I capital and the total capital ratio therefore also amounts to 156.3 (188.4) percent. For further information, see Note 9.

Leverage ratio

Leverage ratio, Pillar I

The leverage ratio, which is defined as the ratio between Tier I capital and total exposure in assets and commitments, has been calculated and reported to the relevant authorities since 2014. In November 2016, the European Commission published its recommendation for a review of the capital adequacy rules (CRD/CRR IV), including proposals regarding the leverage ratio. The EU published the final legislation package¹ in its official journal on 7 June 2019 with the leverage ratio requirement there being

¹ REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (EU) 2019/876 of 20 May 2019 regarding the amendment of Regulation (EU) No. 575/2013 regarding leverage ratio, stable net funding ratio, capital base and qualifying liabilities, counterparty risk, market risk, exposures to central counterparties, exposures to companies for collective investments, major exposures, reporting requirements and publication requirements, and of Regulation (EU) No. 648/2012.



set at 3 percent of the total exposures. The new rules will take effect from 28 June 2021. The changes regarding the leverage ratio rules also entail a special regulation for what are termed *Public Development Credit Institutions (PDCI)*, among which Kommuninvest belongs in the Company’s assessment. In its preliminary verification letter in connection with its Supervisory Review and Evaluation Process (SREP), the Swedish Financial Supervisory Authority did not find reason to question this assessment. In calculating its leverage ratio requirement in Pillar I, a PDCI may deduct exposures to the public sector, which, for Kommuninvest, means that all lending to members and their companies may be deducted in calculating the leverage ratio requirement.

Leverage ratio, Pillar II

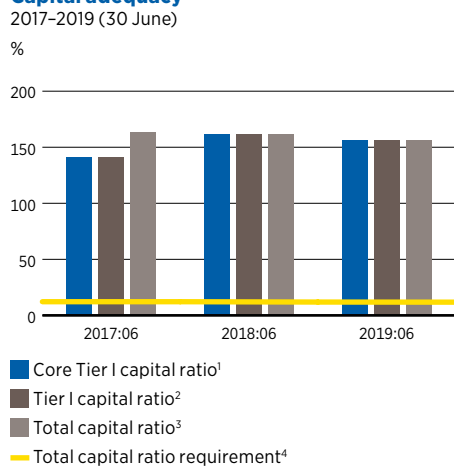
In its preliminary verification letter in connection with the SREP, the Swedish Financial Supervisory Authority communicated that, in its assessment, Kommuninvest needs to

retain capital to avoid risking an excessively low leverage ratio, regardless of the leverage ratio regulation for PDCIs in Pillar I. The capital requirement is addressed in Pillar II and corresponds to a 1 percent leverage ratio calculated on the basis of total exposures in assets and commitments.

Leverage ratio as per 30 June 2019

As per 30 June 2019, the Company’s leverage ratio, reported according to CRR, was 1.55 (1.75) percent. See Note 10 for calculations. The leverage ratio, calculated in accordance with the new legal requirement described previously, under which all lending to members and their companies is excluded from the exposure amount, amounted to 8.55 (11.30) percent. See the section Alternative performance measurements on page 26. Accordingly, Kommuninvest meets the upcoming legal requirement in Pillar I and the Swedish Financial Supervisory Authority’s preliminary assessment of a 1 percent leverage ratio in Pillar II by a good margin.

Capital adequacy



1) Core Tier I capital in relation to total risk exposure
 2) Tier I capital in relation to total risk exposure
 3) Total capital base in relation to total risk exposure
 4) Capital requirement including buffer requirements in accordance with CRR (Regulation (EU) No 575/2013 of the European Parliament and of the Council).

Risks and uncertainty factors

In its business, the Company encounters a number of risks and uncertainty factors that may have an adverse impact on the Company’s net profit, financial position or opportunities to attain set targets. The macroeconomic trend, as well as the general trend in the capital markets remains uncertain, with geopolitical risks, restrictions on international trade and generally high levels of debt being among the factors that could cause volatility in the financial markets. These factors, as well as interest rate trends, actions by central banks and willingness to invest in various markets, can have effects on the Company.

Risk management

The Company’s operations serve solely to support the financing 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, 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, the 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 does not conduct any deposit operations and its operations are not intended to generate profit.

The Company regularly measures and manages a number of types of risks, mainly credit risk, market risk, liquidity risk and operational risk.

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

At the end of the period, the Company's total credit risk exposure amounted to SEK 473,467.6 (420,560.0) million. Of this exposure, 82 (84) percent involved Swedish municipalities and regions in the form of lending, 13 (12) percent involved sovereigns and other issuers of securities in the form of investments and deposits, 3 (3) percent involved exposures to derivative counterparties and 1 (0) percent of the exposure involved other assets. Off-balance sheet items accounted for 1 (1) percent (committed loans and committed undisbursed loans).

Market risk refers to the risk that the net market value (combined value) of the Company's assets and liabilities will decrease due to

changes in the financial market. Market risk arises in the operations when the Company enters into contracts in its lending and funding activities, as well as when investing the funds included in the Company's liquidity reserve. The Company limits its exposure to market risk by means of derivative contracts.

Counterparty risk is limited by entering into contracts with counterparties with high creditworthiness, as well as ISDA agreements established permitting early redemption should the counterparty's credit rating deteriorate, and CSA agreements (Credit Support Annex) regulating the right to secure collateral to eliminate the exposure incurred in derivative transactions. See Note 6. ISDA agreements have been established with all counterparties. As of 30 June 2019 CSA agreements had been entered into with 23 out of 25 counterparties with whom Kommuninvest has outstanding, non-cleared contracts. That corresponds to 99.9 (99.9) percent of the contracts, based on nominal amounts.

Counterparty exposure to derivative counterparties amounted to SEK 2,640.6 (1,770.6) million after netting for each counterparty and net of collateral received.

Liquidity risk refers to the risk that it will not be possible to meet the Company's payment obligations on maturity without the expense of obtaining payment funds increasing considerably. Liquidity risk is divided into two areas: short-term liquidity risk arising in the daily management of liquidity, and structural liquidity risk, which is incurred if the Company does not finance its long-term commitments in advance. A highly liquid liquidity reserve, favourable matching of maturities between assets and liabilities and full membership in the Riksbank's payment system, RIX, limit the Company's liquidity risks.

To ensure a high level of liquidity, the Company's liquidity reserve is dominated by investments in sovereign securities. The composition of the liquidity reserve as per 30 June 2019 is shown in the charts on page 7.

Operational risk refers to the risk of losses resulting from human error, inadequate or failed internal processes or routines and incorrect systems or external events, including legal risks. Operational risk are inherent in the Company's operations and cannot be avoided. Good governance and control reduce the likelihood of operational risks and mitigate the expenses incurred.

A description of the Company's risk exposure and risk management can be found on pages 33–37 in Kommuninvest's 2018 Annual Report, and in the Risk and Capital Management Report available at www.kommuninvest.se. No significant changes have taken place after the publication of these documents.

Employees

The number of employees increased during the period, amounting to 94, compared with 92 at the end of 2018. The average number of employees during the period was 96 (97 in 2018).

Board of Directors

At the Annual General Meeting of the Company on 11 April 2019, the sitting Board of Directors was re-elected. The Board of Directors consists of Ellen Bramness Arvidsson (Chairman), Kurt Eliasson, Lars Heikensten, Anna von Knorring, Erik Langby, Johan Törngren, Kristina Sundin Jonsson and employee representatives Ulrika Gonzalez Hedqvist and Mattias Bokenblom.

Management

At the end of the period, the Company's executive management consisted of Tomas Werngren (President and CEO), Maria Viimne (Deputy CEO and COO), Patrick Nimander (CFO and treasurer), Malin Norbäck (Head of Human Resources), Britt Kerkenberg (CRO), Jens Larsson (Chief Legal Officer) and Christofer Ulfgrén (CIO). No changes occurred during the first half of the year.

Events after the balance sheet date

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

Income statement

SEK million	Note	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
Interest revenues calculated according to effective interest method		527.5	263.7	494.0
Other interest revenues		12.3	2.2	11.3
Interest expenses calculated according to effective interest method		-34.6	209.4	437.0
Other interest expenses		-69.3	-21.6	-56.8
NET INTEREST INCOME	2	435.9	453.7	885.5
Dividends received		-	-	2.1
Commission expenses		-4.9	-3.7	-8.2
Net result of financial transactions		30.4	84.8	161.4
<i>of which, derecognised assets measured at amortised cost</i>		0.2	-	0.5
Other operating income	3	3.8	4.1	7.8
TOTAL OPERATING INCOME		465.2	538.9	1,048.6
General administration expenses		-113.1	-135.1	-259.8
Depreciation and impairment of intangible assets		-2.2	-2.4	-5.3
Depreciation and impairment of tangible assets		-1.1	-1.2	-2.5
Other operating expenses		-1.9	-1.9	-4.2
TOTAL EXPENSES		-118.3	-140.6	-271.8
PROFIT BEFORE CREDIT LOSSES		346.9	398.3	776.8
Net credit losses	4	12.5	-7.0	-24.3
OPERATING PROFIT		359.4	391.3	752.5
Tax		-76.9	-85.2	-166.4
NET PROFIT FOR THE PERIOD		282.5	306.1	586.1

Statement of comprehensive income

SEK million	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
NET PROFIT FOR THE PERIOD	282.5	306.1	586.1
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME	282.5	306.1	586.1

Balance sheet

SEK million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS				
Sovereign bonds eligible as collateral	5	52,914.1	66,460.3	39,230.3
Lending to credit institutions	5	3,135.5	3,229.0	1,843.4
Lending	5	388,448.6	331,404.9	355,710.0
Bonds and other interest-bearing securities	5	6,694.0	10,219.6	7,457.8
Shares and participations in subsidiaries		42.0	42.0	42.0
Derivatives	5, 6	15,076.3	18,547.1	11,333.2
Intangible assets		18.5	15.2	15.7
Tangible assets		7.2	6.0	5.0
Current tax assets		45.1	36.9	79.0
Other assets	7	2,885.6	746.1	1,471.0
Prepaid expenses and accrued revenue		30.5	49.8	14.7
TOTAL ASSETS		469,297.4	430,756.9	417,202.1
LIABILITIES, PROVISIONS AND EQUITY				
Liabilities and provisions				
Liabilities to credit institutions	5	1,647.0	1,173.5	584.0
Securities issued	5	446,797.6	408,038.8	396,796.9
Derivatives	5, 6	4,402.4	4,658.1	5,959.6
Other liabilities	8	8,528.3	8,939.8	6,217.5
Accrued expenses and prepaid revenues		36.1	37.8	40.6
Provisions		0.1	0.0	0.1
Total liabilities and provisions		461,411.5	422,848.0	409,598.7
Equity				
Restricted equity				
Share capital		7,100.0	7,100.0	7,100.0
Development expenditure reserve		16.6	9.5	12.0
Statutory reserve		17.5	17.5	17.5
Unrestricted equity				
Fair value reserve		-	-	-
Profit or loss brought forward		469.3	475.8	-112.2
Net profit for the period		282.5	306.1	586.1
Total equity		7,885.9	7,908.9	7,603.4
TOTAL LIABILITIES, PROVISIONS AND EQUITY		469,297.4	430,756.9	417,202.1

Statement of changes in equity

SEK million	Restricted equity				Unrestricted equity			Total equity
	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 Jan 2019	7,100.0	-	12.0	17.5	-	-112.2	586.1	7,603.4
Net profit for the period							282.5	282.5
Change in development expenditure reserve			4.6			-4.6		-
Other comprehensive income								-
Total comprehensive income	-	-	4.6	-	-	-4.6	282.5	282.5
Transactions with shareholders								
Appropriation of surplus						586.1	-586.1	-
New share issue								-
Total transactions with shareholders	-	-	-	-	-	586.1	-586.1	-
Equity carried forward 30 Jun 2019	7,100.0	-	16.6	17.5	-	469.3	282.5	7,885.9
Equity carried forward 31 Dec 2017	6,100.0	1,000.0	3.1	17.5	0.8	-386.6	876.0	7,610.8
Transition effect IFRS 9					-0.8	-7.2		-8.0
Equity brought forward 1 Jan 2018	6,100.0	1,000.0	3.1	17.5	-	-393.8	876.0	7,602.8
Net profit for the period							306.1	306.1
Change in development expenditure reserve			6.4			-6.4		-
Other comprehensive income								-
Total comprehensive income	-	-	6.4	-	-	-6.4	306.1	306.1
Transactions with shareholders								
Appropriation of surplus						876.0	-876.0	-
New share issue	1,000.0	-1,000.0						-
Total transactions with shareholders	1,000.0	-1,000.0	-	-	-	876.0	-876.0	-
Equity carried forward 30 Jun 2018	7,100.0	-	9.5	17.5	-	475.8	306.1	7,908.9
Equity carried forward 31 Dec 2017	6,100.0	1,000.0	3.1	17.5	0.8	-386.6	876.0	7,610.8
Transition effect IFRS 9					-0.8	-7.2		-8.0
Equity brought forward 1 Jan 2018	6,100.0	1,000.0	3.1	17.5	-	-393.8	876.0	7,602.8
Net profit for the period							586.1	586.1
Change in development expenditure reserve			8.9			-8.9		-
Other comprehensive income								-
Total comprehensive income	-	-	8.9	-	-	-8.9	586.1	586.1
Transactions with shareholders								
Appropriation of surplus						876.0	-876.0	-
New share issue	1,000.0	-1,000.0						-
Group contributions						-750.6		-750.6
Tax effect on Group contribution						165.1		165.1
Total transactions with shareholders	1,000.0	-1,000.0	-	-	-	290.5	-876.0	-585.5
Equity carried forward 31 Dec 2018	7,100.0	-	12.0	17.5	-	-112.2	586.1	7,603.4

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

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

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

For further information on equity, see the Equity section in the Financial accounts on page 9.

Cash flow statement

SEK million	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
Operational activities			
Operating profit	359.4	391.3	752.5
Adjustment for items not included in cash flow	-47.0	-75.5	-131.8
Income tax paid	-43.1	-43.1	-1.2
	269.3	272.7	619.5
Change in liquidity portfolio	-12,847.1	-39,587.4	-9,564.7
Change in lending	-30,635.0	-20,982.0	-45,915.2
Change in other assets	-1,430.4	30.3	-658.6
Change in other liabilities	3,001.3	7,431.9	3,906.8
Cash flow from operational activities	-41,641.9	-52,834.5	-51,612.2
Investment activities			
Acquisitions of intangible assets	-5.0	-6.7	-11.0
Acquisition of tangible assets	-3.3	-	-0.3
Cash flow from investment activities	-8.3	-6.7	-11.3
Financing activities			
Issue of interest-bearing securities	106,450.8	131,912.3	202,020.3
Redemption and repurchases of interest-bearing securities	-62,814.0	-75,573.5	-148,339.2
Change in intra-Group liabilities	-694.9	-918.0	-863.2
Cash flow from financing activities	42,941.9	55,420.8	52,817.9
Cash flow for the period	1,291.7	2,579.6	1,194.4
Cash and cash equivalents at the start of the period	1,844.1	649.7	649.7
Cash and cash equivalents at the end of the period	3,135.8	3,229.3	1,844.1
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			
Depreciation and impairment of tangible and intangible assets	3.3	3.6	7.8
Exchange rate differences from change in financial assets	0.5	0.2	0.5
Unrealised changes in market value	-38.3	-86.3	-164.4
Net credit losses	-12.5	7.0	24.3
Total	-47.0	-75.5	-131.8
Interest paid and received, included in the cash flow			
Interest received ¹	740.8	77.1	352.2
Interest paid ²	12.4	252.4	1,247.7

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

Notes

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

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, Accounting for legal entities (RFR 2) have been applied.

In accordance with Chapter 7, section 6a of ÅRKL, Kommuninvest has chosen not to prepare consolidated accounts, see Note 12.

For all material purposes, the accounting principles and calculation methods in the interim report remain unchanged compared with the 2018 Annual Report. A change in the reporting of leases is presented in the next section.

IFRS 16 Leases

On 1 January 2019, IAS 17 Leases was replaced by IFRS 16 Leases.

According to RFR 2, it is possible not to apply IFRS 16 with regard to a legal entity. The Company has chosen to apply the exemption, which is why the accounting of lease agreements remains unchanged compared with previous accounts. The opening balance for 2019 was not affected by any transition effects and the standard has had no impact on Kommuninvest's result, position, disclosures, capital requirements, capital base or major exposures.

New and amended laws, standards and interpretations yet to come into effect

During 2019, no new or amended laws, standards or interpretations yet to come into effect are assessed to have any material impact on Kommuninvest's result, position, disclosures, capital requirements, capital base or major exposures. Kommuninvest monitors the development of possible changes in IFRS standards attributable to new reference rates.

Note 2 Net interest income

	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
Interest revenues			
Interest revenues calculated according to effective interest method	527.5	263.7	494.0
<i>of which, lending</i>	472.0	214.2	456.4
<i>of which, interest-bearing securities</i>	55.5	49.5	37.6
Other interest revenues	12.3	2.2	11.3
Total	539.8	265.9	505.3
<i>of which, interest revenues from financial items not measured at fair value through the income statement</i>	304.2	421.9	231.1
Interest expenses			
Interest expenses calculated according to effective interest method	-34.6	209.4	437.0
<i>of which, liabilities to credit institutions</i>	-1.1	-9.5	-15.0
<i>of which, securities issued</i>	-23.5	343.7	681.0
<i>of which lending, negative lending rate</i>	-10.0	-124.8	-229.0
Other interest expenses	-69.3	-21.6	-56.8
Total	-103.9	187.8	380.2
<i>of which, interest expense from financial items not measured at fair value through the income statement</i>	-470.3	-1,201.1	-549.9
Net interest income	435.9	453.7	885.5

In this note, income is recognised as positive and expenses as negative. Kommuninvest considers all income and expenses to be attributable to the country in which the Company has its

registered office, Sweden. For further information on net interest income for the period, please see the Financial accounts on page 8.

Note 3 Other operating income

	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
Revenue from contracts with customers	3.0	2.8	5.8
Other operating income	0.8	1.3	2.0
Total	3.8	4.1	7.8

All revenues from contracts with customers relate to revenues from a financial management service, K1 Finans, which is offered to members of the Kommuninvest Cooperative Society. The service allows customers to create their own overview of their financial positions. All revenues derive from a customer category consisting of municipalities and regions which are members of the Kommuninvest Cooperative Society and all customers operate in the same geographical market, Sweden.

All contracts are processed at the portfolio level, entitle the customer access to a service and the performance commitment is fulfilled over time during the period in which the service is

provided. All contracts extend over one calendar year and are normally invoiced within that financial year. There is no adjustment for any material financing component since payment terms, invoicing and access to the service occur within one financial year. The revenue is recognised within the financial year as performance commitment is met. The transaction price of the contracts is fixed with no adjustments for variable compensation, obligations or benefits linked to the contracts or other assessment items. The transaction price is determined by Kommuninvest's price list and takes the customer group's external borrowing debt into account. Contract expenses for the K1 Finans system are capitalised as an intangible asset and recognised under IAS 38 Intangible Assets, and current expenses attributable to K1 Finans are expensed in accordance with IFRS 15, paragraph 96. No specific expenses associated with the contracts are paid by the customer.

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

Note 4 Net credit losses

Kommuninvest calculates expected credit losses in accordance with IFRS 9. For detailed information, see Note 3 in Kommuninvest's 2018 Annual Report.

Changes during the period

In its calculation of expected credit losses, the Company has chosen to apply the 90 days past due default definition consistent with the Basel Regulations. Previously, the S&P Global Ratings definition of 30 days past due was applied. The transition effect of the change is positive in the amount of SEK 7.5 million.

Provisions for credit losses

30 June 2019	Recognised gross value	Expected credit losses	Recognised net value
Sovereign bonds eligible as collateral	52,915.6	-1.5	52,914.1
Lending to credit institutions	3,135.8	-0.3	3,135.5
Lending	388,465.6	-17.0	388,448.6
Provisions for off-balance sheet items	4,170.3	-0.1	4,170.2
Total	448,687.3	-18.9	448,668.4

31 December 2018	Recognised gross value	Expected credit losses	Recognised net value
Sovereign bonds eligible as collateral	39,232.4	-2.1	39,230.3
Lending to credit institutions	1,844.1	-0.7	1,843.4
Lending	355,738.5	-28.5	355,710.0
Provisions for off-balance sheet items	3,358.0	-0.1	3,357.9
Total	400,173.0	-31.4	400,141.6

Change in provisions for credit losses

30 June 2019	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changed models	Closing balance
Sovereign bonds eligible as collateral	-2.1	-45.5	44.7	1.4	-	-1.5
Lending to credit institutions	-0.7	0.0	0.0	0.4	-	-0.3
Lending	-28.5	-1.8	3.1	2.7	7.5	-17.0
Provisions for off-balance sheet items	-0.1	-1.6	1.8	-0.2	-	-0.1
Total	-31.4	-48.9	49.6	4.3	7.5	-18.9

31 December 2018	Opening balance	Initiated during the period	Maturing during the period	Changed risk variables	Changed models	Closing balance
Sovereign bonds eligible as collateral	-0.4	-46.8	46.8	-1.7	-	-2.1
Lending to credit institutions	-0.2	0.0	0.0	-0.5	-	-0.7
Lending	-6.5	-1.8	2.8	-23.0	-	-28.5
Provisions for off-balance sheet items	-0.1	0.0	0.0	0.0	-	-0.1
Total	-7.2	-48.6	49.6	-25.2	-	-31.4

Note 5 Financial assets and liabilities

Financial instruments broken down by valuation category

30 June 2019	Amortised cost	Fair value through the income statement				Recognised value	Fair value
		Held for trade	Compulsory	Fair value option	Derivatives used for hedge accounting		
Financial assets							
Sovereign bonds eligible as collateral	47,441.2	-	-	5,472.9	-	52,914.1	52,915.6
Lending to credit institutions	3,135.5	-	-	-	-	3,135.5	3,135.5
Lending	271,930.7	-	-	116,517.9	-	388,448.6	389,393.1
Bonds and other interest-bearing securities	-	-	-	6,694.0	-	6,694.0	6,694.0
Derivatives	-	-	12,430.2	-	2,646.1	15,076.3	15,076.3
Other financial assets	2,839.5	-	-	-	-	2,839.5	2,839.5
Total	325,346.9	-	12,430.2	128,684.8	2,646.1	469,108.0	470,054.0
Financial liabilities							
Liabilities to credit institutions ¹	1,047.3	-	-	599.7	-	1,647.0	1,647.0
Securities issued ¹	274,570.6	-	-	172,227.0	-	446,797.6	448,163.2
Derivatives	-	3,806.6	-	-	595.8	4,402.4	4,402.4
Other financial liabilities	8,522.4	-	-	-	-	8,522.4	8,522.4
Total	284,140.3	3,806.6	-	172,826.7	595.8	461,369.4	462,735.0

31 December 2018	Amortised cost	Fair value through the income statement				Recognised value	Fair value
		Held for trade	Compulsory	Fair value option	Derivatives used for hedge accounting		
Financial assets							
Sovereign bonds eligible as collateral	33,201.6	-	-	6,028.7	-	39,230.3	39,232.9
Lending to credit institutions	1,843.4	-	-	-	-	1,843.4	1,843.4
Lending	249,311.9	-	-	106,398.1	-	355,710.0	355,680.9
Bonds and other interest-bearing securities	-	-	-	7,457.8	-	7,457.8	7,457.8
Derivatives	-	-	8,413.7	-	2,919.5	11,333.2	11,333.2
Other financial assets	1,468.2	-	-	-	-	1,468.2	1,468.2
Total	285,825.1	-	8,413.7	119,884.6	2,919.5	417,042.9	417,016.4
Financial liabilities							
Liabilities to credit institutions ¹	0.8	-	-	583.2	-	584.0	584.0
Securities issued ¹	240,956.0	-	-	155,840.9	-	396,796.9	397,667.7
Derivatives	-	5,371.1	-	-	588.5	5,959.6	5,959.6
Other financial liabilities	6,207.9	-	-	-	-	6,207.9	6,207.9
Total	247,164.7	5,371.1	-	156,424.1	588.5	409,548.4	410,419.2

1) Nominal amount of funding, that is, the amount to be paid up by the maturity date, amounts to SEK 447,252.5 (401,574.2) million.

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 included 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.

Note 5, continued

Some of the financial instruments in Kommuninvest's debt portfolio and liquidity reserve are traded on active markets with quoted prices in accordance with level 1. For almost all of the remainder of the debt portfolio, liquidity reserve, all lending and derivatives not traded on an active market with quoted prices, accepted and well-established valuation techniques are applied to determine fair value based on observable market data in accordance with level 2. Kommuninvest classifies a small proportion of its financial instruments in the debt portfolio in level 3. In valuing these, input data not observable in the market or proprietary assessments have a significant effect.

Lending

Fair value has been calculated by discounting anticipated future cash flows by a discount rate set at 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 at lower margins.

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

In the valuation of securities, the quoted price of the asset is used. If trading is considered to occur on an active market, the valuation is classified under level 1, while other securities are classified under level 2.

Liabilities to credit institutions, securities issued and other 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 by using secondary market spreads on similar instruments issued by Kommuninvest. 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 is classified in level 1. Funding valued at quoted prices, not deemed as traded in an active market, is classified in level 2. Funding valued based on discounted future cash flows is classified in level 2, with the exception of funding for which anticipated future cash flows are attributable to significant non-observable market data, which is classified in level 3. The members' guarantee undertaking affects the valuation of funding and that the guarantee undertaking is taken into account by market players and thus affects quoted market prices and current funding margins.

Derivatives

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

The credit valuation adjustment for derivatives, CVA, is the market value of the expected loss of counterparty risks for derivatives. The valuation takes into account the risk mitigation measures taken by Kommuninvest, such as netting agreements (ISDA agreements), agreements on the exchange of collateral (CSA agreements) and guarantee agreements from members regarding counterparty exposures. Netting agreements and agreements on the exchanges of collateral reduce the expected exposure in the event that a counterparty defaults, while the guarantee agreements reduce the loss given default. Due to the high creditworthiness of the members, the credit valuation adjustment corresponds to an immaterial amount. The debt value adjustment for derivatives (DVA) corresponds to the credit rating adjustment that Kommuninvest's derivative counterparties have through their exposure to Kommuninvest. Due to the members' joint and several guarantee and their high creditworthiness, the debt value adjustment is an insignificant amount.

Lending to credit institutions, other assets and other liabilities

For these items, the recognised value is an acceptable approximation of fair value. Lending to credit institutions consists of bank accounts and repo transactions with a maximum duration of seven days. Other assets and other 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 232 (238) 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 net profit of SEK 285 (259) million. A parallel displacement in the lending and funding price, in relation to swap rates, by 10 basis points upwards or downwards would entail a change in net profit of SEK +/- 53 (+/- 22) 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 net profit of SEK +/- 38 (+/- 23) million.

All of the above changes refer to 30 June 2019 (comparative figures refer to 31 December 2018) and exclude tax effects. Impact on equity relates to the tax effect.

All market value effects are unrealised, and as Kommuninvest intends to hold its assets and liabilities to maturity, this means that these values will not normally be realised. Exceptions are repurchases of funding or lending instruments, which always take place on the investors' or customers' initiative respectively, which lead to the market values being realised.

Note 5, continued

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 net profit of these contracts is realised when Kommuninvest's funding margins for this type of funding change. The scope of the change depends on the expected 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 duration of the contracts. Kommuninvest has calculated the duration to 1.8 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 to 2.9 years. This would have an effect on net profit in the interval SEK -1.6 million to SEK -1.1 million.

Change in value due to expected changes in 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 in Kommuninvest's own credit risk are only considered to occur as a consequence of events such as a major downgrading of the Company's rating, or significant amendments to the members' guarantee undertaking that

would reduce their collective responsibility for the Company's commitments. Since no such events or changes have occurred, all variations in funding margins and resulting changes in the value of borrowings are deemed attributable to general changes in the market price of credit and liquidity risk and not from changes in Kommuninvest's own credit risk.

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

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

Changed valuation models

The valuation models have remained unchanged since 31 December 2018. For previous changes, see Note 25 in Kommuninvest's 2018 Annual Report.

Approval of valuation models

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

Financial instruments recognised at fair value in the balance sheet

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign bonds eligible as collateral	2,700.7	2,772.2	-	5,472.9
Lending	-	116,517.9	-	116,517.9
Bonds and other interest-bearing securities	3,200.0	3,494.0	-	6,694.0
Derivatives	-	14,809.8	266.5	15,076.3
Total	5,900.7	137,593.9	266.5	143,761.1
Financial liabilities				
Liabilities to credit institutions	-	599.7	-	599.7
Securities issued	85,255.8	74,414.3	12,556.9	172,227.0
Derivatives	-	3,528.9	873.5	4,402.4
Total	85,255.8	78,542.9	13,430.4	177,229.1
31 December 2018				
	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign bonds eligible as collateral	2,542.4	3,486.3	-	6,028.7
Lending	-	106,398.1	-	106,398.1
Bonds and other interest-bearing securities	2,389.1	5,068.7	-	7,457.8
Derivatives	0.0	11,204.2	129.0	11,333.2
Total	4,931.5	126,157.3	129.0	131,217.8
Financial liabilities				
Liabilities to credit institutions	-	583.2	-	583.2
Securities issued	89,764.9	58,209.7	7,866.3	155,840.9
Derivatives	-	4,168.1	1,791.5	5,959.6
Total	89,764.9	62,961.0	9,657.8	162,383.7

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Note 5, continued

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

	Recognised value 30 Jun 2019	Recognised value 31 Dec 2018
Assets		
To level 1 from level 2	-	-
To level 2 from level 1	-	7,797.5
Liabilities		
To level 1 from level 2	-	-
To level 2 from level 1	35,177.5	40,186.9

Kommuninvest continuously reviews the criteria for its division into levels of financial assets and liabilities measured at fair value. The movements are attributable variations in the indicators that Kommuninvest uses to demarcate between level 1 and level 2 for bonds.

The indicators show the number of observations and their standard deviation for bond prices and a specific number of executable quotes. The transfers are considered to have taken place on 30 June 2019 and 31 December 2018 for the preceding period.

Changes in level 3

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

	Derivative assets	Derivative liabilities	Securities issued	Total
Opening balance, 1 January 2018	138.4	-63.2	-1,325.3	-1,250.1
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	-9.4	-1,728.3	1,716.8	-20.9
Borrowings raised/Securities issued	-	-	-8,911.6	-8,911.6
Matured during period	-	-	653.8	653.8
Closing balance, 31 December 2018	129.0	-1,791.5	-7,866.3	-9,528.8
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 2018	-35.0	-1,691.1	1,705.3	-20.8

	Derivative assets	Derivative liabilities	Securities issued	Total
Opening balance, 1 January 2019	129.0	-1,791.5	-7,866.3	-9,528.8
Recognised gains and losses:				
- recognised in the income statement (net result of financial transactions)	137.5	918.0	-1,060.3	-4.8
Borrowings raised/Securities issued	-	-	-6,932.0	-6,932.0
Matured during period	-	-	3,301.7	3,301.7
Closing balance, 30 June 2019	266.5	-873.5	-12,556.9	-13,163.9
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 2019	84.5	126.5	-222.1	-11.1

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 6 Information on financial assets and liabilities subject to netting

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

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

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

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

30 June 2019	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet ¹	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets							
Derivatives	21,228.3	-6,152.0	15,076.3	-2,373.2	-4,346.0	-7,435.6	921.5
Repos	1,442.6	-	1,442.6	-	-1,441.8	-	0.8
Liabilities							
Derivatives	-6,747.5	2,345.1	-4,402.4	2,373.2	412.9	1,107.2	-509.1
Repos	-1,043.1	-	-1,043.1	-	1,043.1	-	-
Total	14,880.3	-3,806.9	11,073.4	-	-4,331.8	-6,328.4	413.2

31 December 2018	Financial assets and liabilities, gross amounts	Amounts netted in the balance sheet ¹	Net amount reported in the balance sheet	Related amounts that are not netted in the balance sheet			Net amount
				Financial instruments	Provided (+)/Received (-) collateral – security	Provided (+)/Received (-) cash collateral	
Assets							
Derivatives	13,288.4	-1,955.2	11,333.2	-2,955.3	-4,151.9	-3,771.8	454.2
Liabilities							
Derivatives	-7,262.7	1,303.1	-5,959.6	2,955.3	558.1	1,281.3	-1,164.9
Total	6,025.7	-652.1	5,373.6	-	-3,593.8	-2,490.5	-710.7

1) The netted amount for derivative assets/liabilities includes cash collateral of SEK 3, 806.8 million as per 30 June 2019 and SEK 652.0 million as per 31 December 2018.

Note 7 Other assets

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Receivables from subsidiaries	5.0	5.0	7.2
Marginal collateral pledged	2,826.2	516.4	1,454.4
Contract assets	3.0	2.4	-
Other assets	51.4	222.3	9.4
Total	2,885.6	746.1	1,471.0

Kommuninvest pledges collateral for derivatives cleared by central clearing counterparties, which is netted per counterparty and currency in the balance sheet. For further information, see Note 6. The Company also pledges cash collateral for derivatives not cleared by central clearing counterparties and for which there no right of netting applies and which are therefore included in full in the balance sheet.

Contract assets refer to the posting of non-invoiced revenue attributable to Kommuninvest's financial management service, KI Finans. For revenue recognition, see Note 3.

Note 8 Other liabilities

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Liabilities to Parent Society	944.9	834.3	1,639.8
Marginal collateral received	7,557.6	8,092.3	4,551.8
Other liabilities	25.8	13.2	25.9
Total	8,528.3	8,939.8	6,217.5

The liability to the Parent Society, the Kommuninvest Cooperative Society, involves Group contributions and member contributions, which are handled by the Company on the Society's behalf and have not yet been transferred to the Company in the form of new share capital.

Kommuninvest receives collateral for derivatives cleared by central clearing counterparties, which is netted per counterparty and currency in the balance sheet. For further information, see Note 6. The Company also receives cash collateral for derivatives not cleared by central clearing counterparties and for which there no right of netting applies and which are therefore included in full in the balance sheet.

Note 9 Capital adequacy

Since 1 January 2014, capital adequacy has been calculated according to CRR¹. 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). For Kommuninvest, only the capital conservation buffer of 2.5 percent and the countercyclical buffer apply, the size of which is based on the geographical distribution of the credit exposures. On 30 June 2019, the countercyclical buffer requirement for Kommuninvest was 1.3 percent. Kommuninvest is not subject to the requirement for a systemic risk buffer, nor has the Company been identified as a systemically important institution. Kommuninvest meets the buffer requirements by a good margin.

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 Jun 2019	30 Jun 2018	31 Dec 2018
Capital base			
Capital Instruments ¹	7,100.0	7,100.0	7,100.0
Non-distributed retained earnings ²	485.9	475.8	485.2
Accumulated other comprehensive income and other reserves	17.5	27.0	17.5
Core Tier I capital prior to regulatory adjustments	7,603.4	7,602.8	7,602.7
Further value adjustments ³	-187.9	-172.8	-177.5
Total regulatory adjustments to core Tier I capital	-187.9	-172.8	-177.5
Total core Tier I capital	7,415.5	7,430.0	7,425.2
Tier I capital contributions	-	-	-
Total Tier I capital	7,415.5	7,430.0	7,425.2
Total Tier II capital	-	-	-
Total capital	7,415.5	7,430.0	7,425.2

1) For a more detailed description of the constituent instruments, see page 9.

2) As per 30 June 2019, deductions of SEK 282.5 million have been made, which refer to the portion of net profit for the period 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 2018 and 31 December 2018, the amounts were SEK 306.1 million and SEK 0.7 million respectively.

3) Deduction 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.

Risk exposure amounts and minimum capital amounts	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Capital requirement, Pillar I						
Capital requirement for credit risks (the standardised method)	1,052.1	84.2	722.2	57.8	747.5	59.8
<i>of which, institutional exposures</i>	905.0	72.4	442.0	35.4	660.2	52.8
<i>of which, corporate exposures</i>	107.2	8.6	120.5	9.6	87.3	7.0
<i>of which, exposures in the form of covered bonds</i>	39.9	3.2	159.7	12.8	-	-
Operational risks, basic indicator method	1,920.0	153.6	1,865.6	149.2	1,920.0	153.6
Credit valuation adjustment	1,771.7	141.7	2,019.9	161.6	1,273.4	101.9
Total risk exposure amounts and minimum capital amounts	4,743.8	379.5	4,607.7	368.6	3,940.9	315.3

Note 9, continued

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Capital adequacy ratios			
Core Tier I capital ratio	156.3%	161.3%	188.4%
Tier I capital ratio	156.3%	161.3%	188.4%
Total capital ratio	156.3%	161.3%	188.4%
Buffer requirements			
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical buffer	1.3%	1.4%	1.0%
Total buffer requirements	3.8%	3.9%	3.5%
Core Tier I capital available for use as buffer	150.3%	155.3%	180.4%
Internally estimated capital requirements			
Capital requirement, Pillar II			
Credit risk	155.1	135.6	133.6
Market risks	1,691.1	1,708.1	1,578.6
Other risk ¹⁾	964.1	707.1	797.8
Total internally estimated capital requirement	2,810.3	2,550.8	2,510.0

1) Consists of capital requirements for the risk of excessively low leverage ratio.

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 35-36 of the 2018 Annual Report.

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Total assessed capital requirement			
Capital requirement, Pillar I	379.5	368.6	315.3
Buffer requirement, Pillar I	177.9	179.4	136.5
Capital requirement, Pillar II	2,810.3	2,550.8	2,510.0
Total assessed capital requirement	3,367.7	3,098.8	2,961.8

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

Note 10 Leverage ratio

Leverage ratio is defined as the Tier I 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 derivative assets the exposure is calculated by totalling all exposures in individual netting agreements with derivative 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 committed loans and committed undisbursed loans.

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Total assets	469,297.4	430,756.9	417,202.1
Less asset amounts deducted to determine core Tier I capital	-187.9	-172.8	-177.5
Less derivatives according to the balance sheet	-15,076.3	-18,547.1	-11,333.2
Plus derivatives exposure	12,703.1	15,264.4	9,015.1
Plus possible change in derivatives risk	8,471.4	7,396.8	6,732.7
Plus possible change in risk in connection with repo transactions	0.7	0.0	-
Plus off-balance sheet commitments	2,085.1	2,418.8	1,678.9
Total exposure	477,293.5	437,117.0	423,118.1
Tier I capital, calculated applying transitional rules	7,415.5	7,430.0	7,425.2
Leverage ratio	1.55%	1.70%	1.75%

Kommuninvest has a capital plan ensuring that future statutory leverage ratio requirements are met, for more information see pages 9-10 of this report and pages 35-36 of the 2018 Annual Report.

Note 11 Transactions with related parties

Transactions with related parties are disclosed in Note 24 of the 2018 Annual Report for Kommuninvest i Sverige AB. No significant changes have taken place in relationships or transactions with related parties compared with those described in the 2018 Annual Report.

Note 12 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 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 50.2 (51.5) million, equity of SEK 43.3 (42.6) million and generated a net profit of SEK 737.7 (590.1) thousand for the first six months of the year.

Note 13 Events after the balance sheet date

No significant events have occurred after the end of the 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 measurements	Definition	Reconciliation	Jan - Jun 2019	Jan - Jun 2018	Jan - Dec 2018
Operating income	Operating profit reduced with the result of unrealised changes in market value, included in the income statement item Net result of financial transactions and net credit losses. The key ratio is of interest in showing Kommuninvest's underlying earning capacity.	Operating profit	359.4	391.3	752.5
		Result of unrealised changes in market value	38.3	86.3	164.4
		Net credit losses	12.5	-7.0	-24.3
		Operating income	308.6	312.0	612.4
Alternative performance measurements	Definition	Reconciliation	30 Jun 2019	30 Jun 2018	31 Dec 2018
Leverage ratio excluding lending to members and their companies	Kommuninvest's Tier I capital divided by the total exposure amount less exposures in the form of Kommuninvest's lending to members and their companies. The key figure is relevant in illustrating the impact of the new regulations that will come into effect in June 2021.	Total exposure according to current regulations	477,293.5	437,117.0	423,118.1
		Exposure in the form of lending to members and their companies	390,533.7	333,823.8	357,388.9
		Total exposure	86,759.8	103,293.2	65,729.2
		Tier I capital, calculated applying transitional rules	7,415.5	7,430.0	7,425.2
		Leverage ratio excluding lending to members and their companies	8.55%	7.19%	11.30%

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, 27 August 2019

Ellen Bramness Arvidsson
Chairman

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Erik Langby
Board Member

Kristina Sundin Jonsson
Board Member

Johan Törngren
Board Member

Lars Heikensten
Board Member

Mattias Bokenblom
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 27 August 2019 at 4:00 p.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 2019 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.

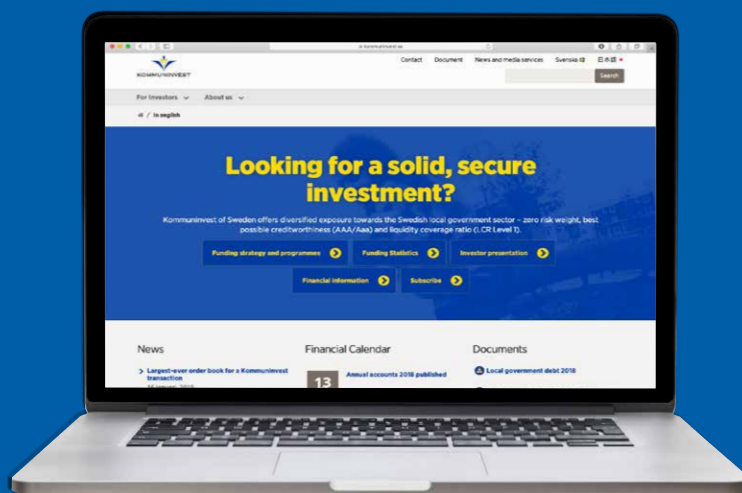
Opinion

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, 27 August 2019

KPMG AB

Anders Tagde
Authorised Public Accountant



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

- Our newsletter that each week provides members with the latest updates on macroeconomics and other areas affecting local government finances
- Reports on local government finances
- Membership magazine Dialog
- Log-in to the finance management tool KI Finans
- Information for investors



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