

INTERIM REPORT KOMMUNINVEST

1 January–30 June

2012

- 3 (2) new members
- Balance sheet total SEK 269.0 (234.0) billion
- Lending SEK 187.9 (168.1) billion
- Operating profit SEK 288.4 (187.3) million



Campus Varberg.
The Municipality of Varberg has been a member of the Kommuninvest Cooperative Society since 1993.

Interim Report for
Kommuninvest i Sverige AB (publ)

Registered company no: 556281-4409.
Registered office: Örebro, Sweden
1 January – 30 June 2012

Comparative earnings figures relate to the same six month period last year (1 January – 30 June 2011) unless otherwise indicated. Comparative balance sheet and risk related figures relate to 31 December 2011 unless otherwise indicated.

About Kommuninvest

Kommuninvest is owned by Swedish municipalities and county councils with the purpose of supporting their financial operations through secure and cost-efficient financing, financial advice, skills development and cooperation. Kommuninvest's vision is to be the natural choice for Swedish municipalities and county councils when it comes to products and tools for efficient financial management focusing on financing.

Cover photo: _____

**The Munksjö bridge and Culture Spira.
The Municipality of Jönköping has been a member of the Kommuninvest Cooperative Society since 2008.**

CEO's statement

Continued growth and a robust result. Higher lending volume than ever before. Positive proposals for changes in the development of EU financial regulation. That would be a reasonable summary of the first six months of 2012.

The outlook for the world economy and collaboration within the Eurozone remains uncertain. There is considerable risk for a couple of challenging years ahead for the Swedish economy and for the Swedish local government sector. However, the sector is well prepared and has previously been swift in reacting to changes in the economy.

In these times of anxiety in credit markets, stability and security are becoming increasingly important criteria when choosing a lender. Kommuninvest's financial stability and built-up firewalls are contributing to membership growth and enable us to provide our customers with efficient financing solutions over the longer term.

The Annual General Meeting of the Kommuninvest Cooperative Society, held in April, decided on a new model for distribution of surplus earnings. Surplus earnings generated by Kommuninvest i Sverige AB will be distributed to members of the Kommuninvest Cooperative Society in the form of refunds and interest on capital contributions. Members have agreed to submit the same amount as a capital contribution to Kommuninvest.

In a ruling at the end of May, the Swedish Supreme Administrative Court decided that the Society's payments of refunds and interest on capital contributions shall be exempt from tax. The surplus distribution model clarifies the value of a membership in Kommuninvest and the owners' responsibility for providing the business with sufficient capitalisation.

Within the EU, work progresses on the new capital adequacy regulations, CRD IV, to be introduced in a step-by-step process from 2013 to 2019. It now seems likely that the framework will promote financial stability while giving suitable prerequisites for financial institutions with differing business models. The leverage ratio requirement for low risk entities is poised to be differentiated according to the risk level of the credit institution while the definition of public sector entities has been expanded to include local government owned bodies that have explicit guarantee arrangements. These are welcome developments.

By introducing a model for surplus distribution, Kommuninvest is in a better position to comply with the new future capital requirements. It should also positively impact recruitment of new members and Kommuninvest's competitiveness. Municipal borrowers that evaluate different financing alternatives find that Kommuninvest offers the most attractive terms, when considering among others the surplus distribution and costs for maintaining a proprietary capital markets borrowing programme.

Tomas Werngren
President and CEO

Market

The world economy and financial markets

The development of the world economy remains fragile. The debt and credit contraction in the western world, questions surrounding the Eurozone collaboration and a possible Chinese slowdown have contributed to a loss of steam for the world economy during the first six months of the year.

The search for financial safe havens has led to historically very low interest rate levels for countries perceived to be stable. Towards the end of the period, rates for 10-year government bond rates in countries such as Sweden and Germany were traded at just over 1 percent; for 2-year government bonds, yields have occasionally been negative. This reflects the strong demand for such paper.

Decisions at the Euro area summit at the end of June have contributed to stabilizing capital markets, but it remains unclear for how long.

Kommuninvest lending and membership growth

For the first half year of 2012, Kommuninvest recorded 12 percent growth in lending volume. The growth in lending is a result of increased lending to primarily existing but also new members, and has contributed to further strengthening Kommuninvest's market position.

On 30 June 2012, Kommuninvest Cooperative Society had 270 members, of which 262 were municipalities and 8 were county councils. 87 percent of Sweden's municipalities and county councils were thus members of Kommuninvest Cooperative Society. New members during the period were Enköping Municipality, Åmål Municipality and Värnamo Municipality.

Funding activities

Kommuninvest's lending is financed by means of short-term and long-term borrowing programmes on national and international capital markets. The funding strategy is based on diversified funding sources, in terms of funding markets, investor categories, fund-

ing currencies and borrowing products. All borrowings are swapped to floating interest rate in SEK, EUR or USD.

The demand for stable issuers with a clear low-risk profile remained good throughout the period and Kommuninvest was able to fulfil its borrowing requirements on favourable terms, both for short-term and long-term maturities.

In total, SEK 64 billion was raised in long-term debt instruments during the first six months 2012, compared with SEK 50 billion in the first six months 2011. A total of SEK 25 (36) billion in long-term borrowings matured during the same period.

Among the largest funding transactions were two benchmark transactions totalling USD 2.25 billion, which were both well received by investors and recorded high participation by central banks and public institutions. SEK 13.1 billion was borrowed under the Swedish Benchmark Programme, which had a total of SEK 42.4 billion outstanding as of June 30. Due to solid demand and attractive terms, a number of funding transactions were also concluded in GBP.

The average maturity of Kommuninvest's capital market funding, provided that cancellable borrowings are extended until maturity, was 2.9 years on 30 June 2012, compared with 3.0 years on 30 June 2011. If the earliest possible cancellation date is applied, the average maturity was 2.0 years, compared with 1.9 years on 30 June 2011.

Rating

Kommuninvest has the highest possible credit rating from two credit rating agencies – since 2002 from Moody's (Aaa) and since 2006 from Standard & Poor's (AAA). The latest credit ratings, both with stable outlook, were published by Standard & Poor's in June 2012 and by Moody's in October 2011.

According to the rating agencies, the ratings reflect Kommuninvest's good asset quality and solid liquidity reserve, the concentration to municipal sector financing, the high market share, conservative risk princi-

ples and the joint and several guarantee provided by Kommuninvest's members.

Financial account

Comparative earnings figures relate to the preceding six month period (1 January – 30 June 2011) unless otherwise indicated. Comparative balance sheet and risk related figures relate to 31 December 2011 unless otherwise indicated.

Results

The operating profit (profit before appropriations and taxes) amounted to SEK 288.4 (187.3) million. The operating profit includes unrealised changes in market value of SEK 77.6 (26.6) million. Operating profit excluding the effect of market value changes was SEK 210.8 (160.7) million. The profit after appropriations and taxes, including unrealised changes in market value, amounted to SEK 214.5 (110.9) million.

Total operating income rose by 32 percent to SEK 414.9 (313.9) million. Operating income includes net interest income, commission expenses, net result of financial transactions and other operating income.

Net interest income increased by 31 percent to SEK 349.6 (266.0) million. The increase is primarily attributable to an increase in lending volume (compared with June 30, 2011, lending volume in nominal terms, i.e. actually lent, was 26 percent higher), but also to loans being provided at new, higher margins in accordance with the owner's directive.

The net result of financial transactions for the period was SEK 65.4 (50.9) million. The result was primarily affected by unrealised changes in market value recognised in the income statement amounting to SEK 77.6 (26.6) million, but also by the buy-back of own bonds and the sale of financial instruments which contributed SEK -12.5 (24.4) million to the figure.

During the period, Kommuninvest has transferred SEK 25.2 (0.0) million in losses from other comprehensive income to income for the period in connection with the sale of financial instruments. The buy-

back of own bonds was SEK 1.7 (0.9) billion (nominal amount).

Costs amounted to SEK 126.5 (126.6) million, including the stability fee of SEK 52.2 (45.0) million. The increase in the stability fee, which is calculated based on the size of the balance sheet, is attributable to the continued lending growth. The stability fee accounted for 41 (36) percent of Kommuninvest's total costs for the period.

Excluding the stability fee, costs decreased by 9 percent to SEK 74.3 (81.6) million. The stability fee thus made up 70 (55) percent of the total costs in the operations, excluding the stability fee.

The growth in lending, combined with major changes in the regulatory systems and development of Kommuninvest's national and international borrowing programmes, place more stringent demands on the operation, generally leading to higher costs. In parallel, projects and activities are in place to streamline the operations, contributing to lower costs over time. The cost decrease for the period, excluding the stability fee, was primarily due to the timing of larger projects in the operations. Costs can be expected to increase during the last six months of 2012, as larger planned projects are started.

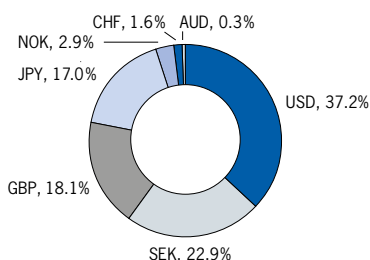
Financial position

The balance sheet total rose to SEK 269.0 (234.0) billion at the end of the period, due to increased lending and borrowing.

Borrowing

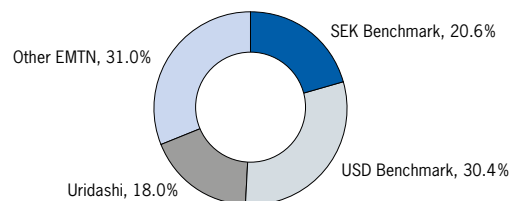
Borrowing amounted to SEK 254.5 (222.2) billion at the end of the period. Most of Kommuninvest's borrowing takes place in the form of issued bonds (for terms of over 1 year) and commercial paper programmes (for terms of less than 1 year). A smaller part of the borrowing takes place as direct loan financing (bilateral loan agreements with supranational institutions). Kommuninvest acts over terms of between 1 day and 30 years and focuses primarily on financial instruments with fixed or floating interest.

Borrowing per currency, 1 Jan-30 June 2012
(excluding commercial paper borrowing)



Source: Kommuninvest

Borrowing per programme, 1 Jan-30 June 2012
(excluding commercial paper borrowing)



Source: Kommuninvest

Lending

Kommuninvest's lending on 30 June 2012 amounted to SEK 187.9 (168.1) billion. In nominal terms, i.e. actually lent, lending was SEK 185.8 (165.7) billion, an increase of 12 percent compared with 31 December 2011. The increase is principally explained by the fact that Kommuninvest is gradually increasing its share of existing customers' borrowing. Three new members during the period also contributed to growth.

Kommuninvest's share of members' borrowing at the end of the half-year period is estimated at 68 (63) percent and of the sector as a whole at 44 (44) percent.

Liquidity reserve management

On 30 June 2012, Kommuninvest's liquidity reserve amounted to SEK 65.9 (52.1) billion, corresponding to 35 (31) percent of the lending volume. According to Kommuninvest's guidelines, the liquidity reserve should amount to between 20 and 40 percent of the lending volume.

Most of the investments are in securities issued by the Swedish State, state-guaranteed financial institutions within the OECD and banks in the Nordic region. A considerable proportion of the investments are made in assets that can be pledged with the Swedish central bank, the Riksbank. To ensure high liquidity, investments may only be made with counterparties with a credit rating of at least A2 from Moody's and/or A from S&P. Investments may also be made in securities issued by member local governments, taking into account the lending limits applied for them by Kommuninvest.

On 30 June 2012, Kommuninvest had no direct exposure to Greece, Ireland, Italy, Portugal or Spain in the investment portfolio.

Derivatives

Derivatives with positive and negative market value amounted to SEK 15.1 (13.7) billion and SEK 11.7 (9.4) billion, respectively. Derivative contracts are solely used as risk management instruments to address market risks in operations. Any changes in the

market value of the derivatives contracts are offset by changes in the market value of the borrowing and lending portfolios.

Subordinated liabilities

Subordinated liabilities consist of a perpetual debenture loan from the Kommuninvest Cooperative Society.

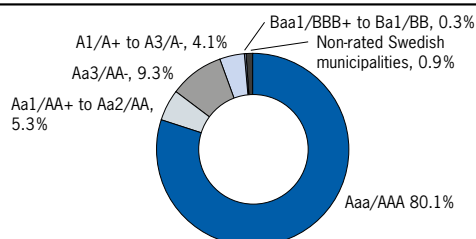
Equity – surplus distribution through refunds and interest on capital contributions

By means of resolutions at the 2011 and 2012 Annual General Meetings of the Kommuninvest Cooperative Society, the Society has, effective as of the 2011 financial year, begun to apply refunds and interest on capital contributions in order to render visible the results of Kommuninvest i Sverige AB with the Society's owners/members. Moreover, a requirement to make an annual capital contribution, at an amount that shall not exceed the surplus distribution, has been introduced. As a result, the earnings of Kommuninvest i Sverige AB can be recognised in its owners'/members' accounts, and the surplus distribution can be used to strengthen the capital base in Kommuninvest i Sverige AB.

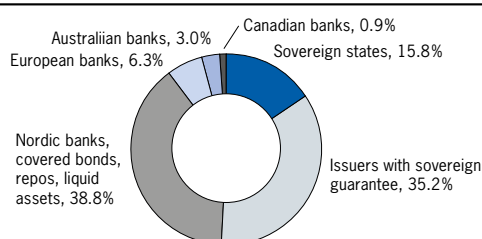
In June 2012, the Kommuninvest Cooperative Society paid out a total of SEK 276 million in surplus distribution. The members' payment of the capital contribution was made with SEK 250 million in June and with SEK 26 million in July. As of 30 June 2012, SEK 250 million had been recognised as new share capital (new share issue in progress) in Kommuninvest i Sverige AB.

The Kommuninvest Cooperative Society intends to use refunds and interest on capital contributions for surplus distribution also for the 2012 accrued results in Kommuninvest i Sverige AB. This means that the 2012 results will be reflected in the capital base of Kommuninvest i Sverige AB with a certain delay. The surplus distribution relating to the results for 2012 is expected to be returned to Kommuninvest i Sverige AB as equity within two months after the Annual General Meeting of the Society in April 2013, and is

**Liquidity reserve distributed by rating category
30 June 2012**



**Liquidity reserve distributed by issuer category
30 June 2012**



expected to form part of the capital base of Kommuninvest i Sverige AB as of 30 June 2013.

Equity

On 30 June 2012, equity amounted to SEK 1,307.6 (714.4) million. In addition to the result for the period and the payment of capital contributions relating to the surplus distribution for 2011, equity was impacted by changes in market values for assets classified as “financial assets available for sale” and effects of investments that were previously reclassified to loans and receivables and which are recognised directly against other comprehensive income (see Statement of changes in equity on page 10 and Reclassification on page 13).

Share capital

Due to the authorisation given to the Board of Directors by the Annual General Meeting, share capital has increased over the year by SEK 40.0 (4.0) million through the issue of new shares and by SEK 250.5 (0.0) million through a new share issue in progress. The surplus distribution relating to the results for 2011 forms part of the new share issue in progress with SEK 250.5 (0.0) million. The remaining share issues are attributable to capital contributions from new members of the Kommuninvest Cooperative Society and to additional contributions from the Society.

On 30 June 2012, the share capital amounted to SEK 332.4 (292.4) million, distributed over 3,323,850 (2,923,850) shares. The new share issue in progress amounted to SEK 250.5 (0.0) million, distributed over 2,505,081 (0) shares.

Credit losses

Credit losses totalled SEK 0 (0) million.

Capital adequacy

The capital adequacy quota (total capital base in relation to total capital requirement) amounted to 5.40 (5.71 on 31 December 2011). The statutory minimum level is 1.0. The capital adequacy ratio (total capital

base in relation to risk-weighted assets) amounted to 43.2 percent (45.7 percent on 31 December 2011).

Employees and the environment

The number of employees increased by three people during the period to 62 people. Kommuninvest does not conduct any operations requiring a licence under Sweden’s Environmental Code. Kommuninvest has an environmental policy adopted by the Board of Directors.

Risks and uncertainty factors

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

The general development in the capital market, including interest rate development and the liquidity situation, along with the willingness to invest in various markets, may affect the competitive situation and how the competitive advantage of Kommuninvest develops. If Kommuninvest is unable to recruit and retain qualified employees, this may restrict Kommuninvest’s competitiveness and opportunities for development.

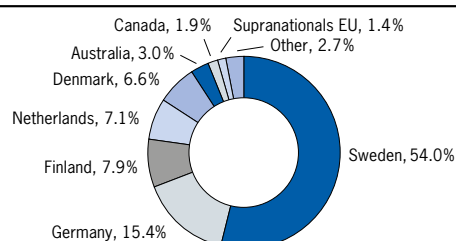
A more detailed description of Kommuninvest’s risk management is found in the company’s latest Annual Report on pages 40-46. No material change in the risk situation, as compared with the description in the Annual Report, has occurred during the reporting period.

Risk management

Kommuninvest i Sverige AB is a credit market company owned by the majority of Swedish municipalities and county councils via the Kommuninvest Cooperative Society. Kommuninvest’s operations serve solely to support the financial activities of the local government sector, distinguishing it in several key regards from other financial market players:

- Lending is provided exclusively to Swedish municipalities, municipal corporations, county councils or borrowers guaranteed by local government

**Liquidity reserve distributed by issuer domicile
30 June 2012**



authorities and loans therefore carry a zero risk weight in a capital adequacy perspective.

- The members of Kommuninvest's owner, the Kommuninvest Cooperative Society, are also the Company's customers and are party to a joint and several guarantee supporting all of the Company's obligations.
- Kommuninvest conducts no deposit or active trading operations.
- Kommuninvest has a favourable capital situation. On 30 June 2012, Kommuninvest's total credit risk exposure amounted to SEK 255.6 (223.3) billion. 73 percent (69) of the exposure was related to lending to Swedish municipalities and county councils. 13 percent (20) was related to investments in securities issued by sovereign states or issuers guaranteed by sovereign states, 13 percent (10) investments in securities issued by other entities and 1 percent (1) was related to exposure to derivatives counterparties. The increase in the group "other entities" was related to investments in Swedish covered bonds.

In order to ensure good liquidity, Kommuninvest's liquidity reserve is primarily held in sovereign securities, with a concentration to Sweden and northern Europe. Further information about the composition of the liquidity reserve is presented on pages 4–5 and on the Kommuninvest website, see page Investor Relations → Financial information and publications → Liquidity reserve.

Credit risk exposure related to derivatives counterparties amounted to SEK 1.8 (4.2) billion on 30 June 2012, after netting. Counterparty risk is limited by entering into contracts with counterparties with high creditworthiness and requirements for assets pledged. As of 30 June 2012, 31 (51) percent of the counter-

party exposure was related to counterparties with a credit rating of at least Aa3 from Moody's or AA- from Standard & Poor's.

ISDA agreements, permitting the netting of positive and negative exposures and conveying the right to prior redemption if the creditworthiness of the counterparty worsens, are established with all derivatives counterparties.

To reduce counterparty risk further, Kommuninvest aims to secure CSA agreements with all derivatives counterparties. CSA agreements regulate the right to secure collateral to eliminate the exposure arising through derivative transactions. As of 30 June 2012 CSA agreements had been established with 20 out of 34 counterparties with whom Kommuninvest had outstanding contracts. 80 per cent of the credit risk exposure related to derivatives counterparties was covered by CSA agreements.

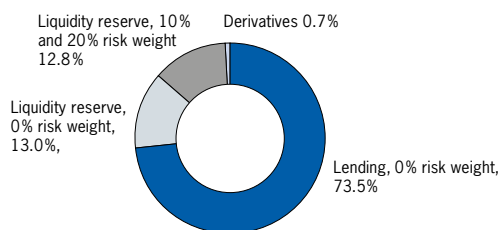
Board of Directors

At the Annual General Meeting on 18 April 2012, Björn Börjesson was re-elected as Chairman of the Board and Ellen Bramness Arvidsson was re-elected as Vice Chairman. The other Board members are Lorentz Andersson, Anna von Knorring, Catharina Lagerstam, Johan Törngren, Anna Sandborgh and Kurt Eliasson.

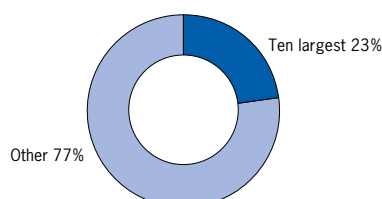
Management

Over the first six months of 2012, Kommuninvest's executive management team consisted of Tomas Werngren, President and CEO, Maria Viimne, Executive Vice President, Johanna Larsson, Head of Administration, Anders Gånge, Head of Funding and Treasury, and Pelle Holmertz, Head of Lending.

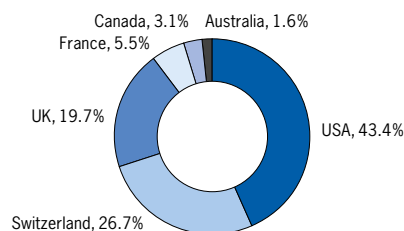
**Credit risk exposure
30 June 2012**



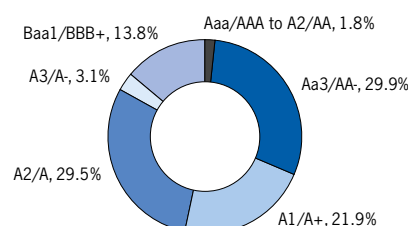
**Credit concentration – distribution of lending
30 June 2012**



**Net exposure on derivatives counterparties distributed
by exposure countries, 30 June 2012**



**Derivative receivables distributed by rating category
30 June 2012**



Emergency services in Eskilstuna.
The Municipality of Eskilstuna has been a member
of the Kommuninvest Cooperative Society
since 2007.



Income statement

SEK mn	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Interest income	3,122.1	2,469.1	5,401.6
Interest expense	-2,772.5	-2,203.1	-4,829.0
NET INTEREST INCOME	349.6	266.0	572.6
Commission expense	-4.7	-3.0	-8.6
Net result of financial transactions	65.4	50.9	72.1
Other operating income	4.6	0.0	0.1
TOTAL OPERATING INCOME	414.9	313.9	636.2
General administration expense	-123.1	-119.9	-230.0
<i>whereof stability fee</i>	-52.2	-45.0	-83.6
Depreciation of tangible assets	-1.3	-1.2	-2.5
Other operating expenses	-2.1	-5.5	-7.6
TOTAL COSTS	-126.5	-126.6	-240.1
OPERATING PROFIT	288.4	187.3	396.1
Appropriations	3.4	-35.7	13.9
Tax on net income for the period	-77.3	-40.7	-109.4
INCOME FOR THE PERIOD	214.5	110.9	300.6

Statement of comprehensive income

SEK mn	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
INCOME FOR THE PERIOD	214.5	110.9	300.6
Other comprehensive income			
Financial assets available for sale	95.7	8.9	-99.0
Financial assets available for sale, transferred to Income for the period	25.2	0.0	-0.2
Loans and receivables	-1.2	-2.0	-4.2
Tax attributable to other comprehensive income	-31.5	-1.8	27.2
OTHER COMPREHENSIVE INCOME	88.2	5.1	-76.2
COMPREHENSIVE INCOME FOR THE PERIOD	302.7	116.0	224.4

Balance sheet

SEK mn	30 Jun 2012	30 Jun 2011	31 Dec 2011
ASSETS			
Cash	0.0	0.0	0.0
Sovereign debt instruments eligible as collateral	13,182.1	13,937.8	10,841.7
Lending to credit institutions	10,323.1	5,077.9	1,734.5
Lending	187,895.8	147,927.8	168,070.5
Bonds and other interest-bearing securities	42,399.8	41,681.9	39,518.7
Shares and participations	1.5	1.1	1.3
Shares and participations in associated companies	0.5	0.5	0.5
Shares in subsidiaries	32.0	0.0	0.0
Derivatives	15,107.2	12,681.9	13,687.2
Tangible assets	6.7	6.8	6.7
Other assets	82.1	102.6	148.3
Prepaid costs and accrued income	15.0	21.8	19.0
TOTAL ASSETS	269,045.8	221,440.1	234,028.4
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities to credit institutions	3,927.8	3,368.0	4,149.4
Securities issued	250,607.9	204,061.6	218,037.4
Derivatives	11,706.9	11,745.3	9,354.5
Other liabilities	133.2	16.3	455.4
Accrued costs and prepaid income	159.8	90.9	111.5
Provisions	1.9	1.4	1.6
Subordinated liabilities	1,000.2	1,000.1	1,000.2
Total liabilities and provisions	267,537.7	220,283.6	233,110.0
Untaxed reserves	200.5	253.6	204.0
Equity	1,307.6	902.9	714.4
Restricted equity			
Share capital (3,323,850 shares, quota value SEK 100)	332.4	292.4	292.4
New share issue in progress (2,505,081 shares, quota value SEK 100)	250.5	0.0	0.0
Statutory reserve	17.5	17.5	17.5
Unrestricted equity			
Fair value reserve	0.6	-6.2	-87.6
Profit brought forward	492.1	488.3	191.5
Income for the period	214.5	110.9	300.6
Total equity	1,307.6	902.9	714.4
TOTAL LIABILITIES, PROVISIONS AND EQUITY	269,045.8	221,440.1	234,028.4
Memorandum items			
Collateral pledged for own liabilities	3,288.8	1,071.4	3,516.9
Contingent liabilities	None	None	None
Obligations			
Committed undisbursed loans	2,355.6	1,051.7	1,576.0

Statement of changes in equity

January 1 – June 30 2012

SEK mn	Restricted equity		Fair value reserve ¹	Unrestricted equity		Total equity
	Share capital	Statutory reserve		Profit or loss brought forward	Income for the period	
Equity brought forward 1 Jan 2012	292.4	17.5	-87.6	191.5	300.6	714.4
Income for the period	-	-	-	-	214.5	214.5
Other comprehensive income	-	-	88.2	-	-	88.2
Appropriation of surplus	-	-	-	300.6	-300.6	0.0
New share issue	40.0	-	-	-	-	40.0
New share issue in progress	250.5	-	-	-	-	250.5
Equity carried forward 30 June 2012	582.9	17.5	0.6	492.1	214.5	1,307.6

¹ The fair value reserve consists of the following

- Financial assets available for sale	0.6
- Loans and receivables (reclassified)	0.0

January 1 – June 30 2011

SEK mn	Restricted equity		Fair value reserve ¹	Unrestricted equity		Total equity
	Share capital	Statutory reserve		Profit or loss brought forward	Income for the period	
Equity brought forward 1 Jan 2011	288.4	17.5	-11.3	347.7	140.6	782.9
Income for the period	-	-	-	-	110.9	110.9
Other comprehensive income	-	-	5.1	-	-	5.1
Appropriation of surplus	-	-	-	140.6	-140.6	0.0
New share issue	4.0	-	-	-	-	4.0
New share issue in progress	-	-	-	-	-	0.0
Equity carried forward 30 June 2011	292.4	17.5	-6.2	488.3	110.9	902.9

¹ The fair value reserve consists of the following

- Financial assets available for sale	-8.7
- Loans and receivables (reclassified)	2.5

January 1 – December 31 2011

SEK mn	Restricted equity		Fair value reserve ¹	Unrestricted equity		Total equity
	Share capital	Statutory reserve		Profit or loss brought forward	Income for the year	
Equity brought forward 1 Jan 2011	288.4	17.5	-11.3	347.7	140.6	782.9
Income for the year	-	-	-	-	300.6	300.6
Other comprehensive income	-	-	-76.3	-	-	-76.3
Appropriation of surplus	-	-	-	140.6	-140.6	0.0
New share issue	4.0	-	-	-	-	4.0
Group contributions	-	-	-	-402.6	-	-402.6
Tax effect on Group contribution	-	-	-	105.8	-	105.8
Equity carried forward 31 December 2011	292.4	17.5	-87.6	191.5	300.6	714.4

¹ The fair value reserve consists of the following

- Financial assets available for sale	-88.5
- Loans and receivables (reclassified)	0.9

Cash flow statement

SEK mn	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Operational activities			
Operating profit	288.4	187.3	396.0
Adjustment for items not included in cash flow	-76.6	-25.4	-10.6
Income tax paid	-43.1	-57.8	-84.4
Cash flow from operating activities before changes in the assets and liabilities of operating activities	168.7	104.1	301.0
Change in interest-bearing securities	-4,634.9	-15,476.7	-8,412.1
Change in lending	-20,011.8	-14,294.1	-32,978.2
Change in other assets	17.8	-86.0	-11.7
Change in other liabilities	7.7	64.9	125.6
Cash flow from operational activities	-24,452.5	-29,687.8	-40,975.4
Investment activities			
Acquisition of subsidiaries	-32.0	0.0	0.0
Divestments of tangible assets	0.0	0.0	0.0
Acquisition of tangible assets	-1.3	-1.1	-2.3
Cash flow from investment activities	-33.3	-1.1	-2.3
Financing activities			
Securities issued	87,627.1	83,294.0	143,755.1
Maturity and repayment of debt	-54,548.2	-51,918.6	-102,716.7
Debenture loan	0.0	0.0	0.0
New share issue	290.5	4.0	3.9
Group contribution paid	-295.0	0.0	-27.7
Cash flow from financing activities	33,074.4	31,379.4	41,014.6
Cash flow for the year	8,588.6	1,690.5	36.9
Liquid assets at the start of the accounting period	1,734.5	1,697.6	1,697.6
Liquid assets at the end of the accounting period	10,323.1	3,388.1	1,734.5
Liquid assets on 30 June 2012 (30 June 2011 and 31 December 2011) consists in their entirety of lending to credit institutions, excluding deposits of SEK 0.0 (1,689.8 million and 0.0).			
The cash flow statement has been prepared using the indirect method. Operating profit has been adjusted for changes not included in operational activities. The cash flow statement has been divided into inward and outward payments from operational activities, investment activities and financing activities.			
Adjustment for items not included in cash flow			
Depreciation	1.3	1.2	2.5
Exchange rate differences from change in tangible financial assets	-0.3	0.0	0.0
Unrealised changes in market value	-77.6	-26.6	-13.1
Total	-76.6	-25.4	-10.6
Interest paid and earned, included in the cash flow			
Interest received	2,759.2	2,464.9	5,032.9
Interest paid	-2,576.0	-1,873.8	-4,459.3

Accounting principles

This interim report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25).

Consequently, all International Financial Reporting Standards and interpretations endorsed by the EU are followed as far as possible, within the provisions of ÅRKL and considering the additions and exemptions specified in FFFS 2008:25. In accordance with ÅRKL 7:6a, Kommuninvest has chosen to make an exception from IFRS by not applying group accounting principles. The same accounting principles and calculation methods were applied in this interim report as well as in the latest annual report.

Capital adequacy

The information on Kommuninvest's capital adequacy refers to periodic information to be submitted in accordance with the regulations and general recommendations of the Swedish Financial Supervisory Authority regarding disclosure of information on capital coverage and risk management (FFFS 2007:5).

The law sets out specific minimum capital requirements for Kommuninvest regarding credit risks, market risks and opera-

Acquisition of Kommuninvest Fastighets AB, group accounting

On 1 January 2012, Kommuninvest i Sverige AB acquired all outstanding shares in Kommuninvest Fastighets AB from the Kommuninvest Cooperative Society. As a result, Kommuninvest i Sverige AB is a group concern, consisting of the parent company Kommuninvest i Sverige AB and the subsidiary Kommuninvest Fastighets AB. The operations of Kommuninvest Fastighets AB consist solely of owning and maintaining the building from which Kommuninvest i Sverige AB conducts its business. In accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 7:6a), Kommuninvest i Sverige AB will not apply group accounting principles because Kommuninvest i Sverige AB's subsidiary is insignificant with regard to the company's financial position and results. As of June 30 2012, Kommuninvest Fastighets AB had a balance sheet total of SEK 46 million, equity of SEK 10.7 million and income of SEK -3.5 million for the first six months.

tional risks. Kommuninvest also has an internal capital assessment process which aims to ensure that Kommuninvest's capital also covers other risks in the operation, such as interest rate risks in the balance sheet, for example. The disclosures below regarding capital requirement are limited to the legal minimum capital requirement.

Capital base, SEK mn	30 June 2012	30 June 2011	31 Dec 2011
Share capital	332.4	292.4	292.4
New share issue in progress	250.5	0.0	0.0
Statutory reserve	17.5	17.5	17.5
Profit brought forward	492.1	488.3	191.6
Income for the period	214.5	110.9	300.6
Less expected dividend/group contributions	-214.5	0.0	0.0
Less deferred tax assets	-0.2	-3.7	-7.2
Untaxed reserves	147.8	186.9	150.3
Total primary capital	1,240.1	1,092.3	945.2
Supplementary capital			
Perpetual debenture loan	1,000.0	1,000.0	945.2
Total supplementary capital	1,000.0	1,000.0	945.2
Total capital base	2,240.1	2,092.3	1,890.4
Capital requirement			
Capital requirement for credit risk (standardised method)	336.2	299.8	250.9
Capital requirement for operational risk	77.5	53.9	77.5
Capital requirement for risks in trading operations	0.8	11.9	2.3
Capital requirement for foreign exchange risk	0.0	0.2	0.1
Total capital requirement	414.5	365.8	330.8
Capital adequacy quota	5.40	5.72	5.71
Capital adequacy ratio	43.2%	45.8%	45.7%

Reclassification

Reclassification has taken place on 10 November 2008 of assets in the form of interest-bearing securities, recorded previously in the category “financial assets available for sale” to the category “loans and receivables”. As this reclassification

has been made from financial assets which can be sold, the income statement is not affected by changes in value which are recorded in other comprehensive income.

30 June 2012

Had this reclassification not taken place, equity would have been affected positively by SEK 0.1 million in the fair value reserve as at 30 June 2012. This means that the fair value reserve has increased during the period by SEK 6.6 million with regard to the reclassified securities.

Interest income amounting to SEK 10.4 (11.3) million has been recognised in the income statement for the period 1 January – 30 June with regard to the reclassified assets.

	30 June 2012		31 December 2011	
	Book value	Fair value	Book value	Fair value
Interest-bearing securities	2,984.9	2,985.0	4,129.5	4,123.0

All assets are of high quality and are zero-risk-weight, interest payments are being made according to plan, and Kommuninvest is of the view that the face value will be received on the due date.

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, 28 August 2012

Björn Börjesson
Chairman

Ellen Bramness Arvidsson
Vice Chairman

Lorentz Andersson
Board Member

Kurt Eliasson
Board Member

Anna von Knorring
Board Member

Catharina Lagerstam
Board Member

Anna Sandborgh
Board Member

Johan Törngren
Board Member

Tomas Werngren
President and CEO

Review report for Kommuninvest i Sverige AB (publ)

To the Board of Directors of Kommuninvest i Sverige AB (publ). Corporate Identity Number: 556281-4409

Introduction

We have reviewed the summarized interim financial information (interim report) for Kommuninvest i Sverige AB (publ) for the period from 1 January 2012 to 30 June 2012. The Board of Directors and the President are responsible for the presentation of this interim report in accordance with the Swedish Annual Accounts for Credit Institutions and Securities Companies Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope and focus of the review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410 "Review of the Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Far (the Swedish Institute of Authorized Public Accountants). 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 in accordance with the International Standards on Auditing, ISA, and compared with sound auditing principles in general.

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. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

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 Annual Accounts for Credit Institutions and Securities Companies Act.

Örebro; 28 August 2012

Ernst & Young AB

Peter Strandh
Certified Public Accountant



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