

FINANCIAL STATEMENTS

KOMMUNINVEST HALF YEAR RESULTS 2010-06-30

The first six month, summary

- 5 (16) new members
- Balance sheet total SEK 190.9 billion
- Lending SEK 128.8 billion
- Operating profit SEK 195.1 million

Comment by Tomas Werngren, President and CEO

"Kommuninvest's stable development continues. Our position as the Swedish Local Government Debt Office and leading lender to the local government sector has been further strengthened during the first six months.

The decision to strengthen the capital base by SEK 1 billion in the form of a subordinated loan was taken by the annual meeting of the Kommuninvest Cooperative Society in March 2010. Following subscription for the loan during late spring and summer we now know that the issue has been oversubscribed. Important work to anchor the capitalisation has been done by staff and elected politicians among our members.

Kommuninvest's financial stamina and ability to provide our members with effective financing solutions in the long term remain very good.

Financial Summary

	2010-06-30	2009-06-30	2009-12-31
Net interest income, SEKm	214.2	206.1	382.1
Operating profit, SEKm	195.1	-65.3 *	335.0 *
Net profit, SEKm	105.3	-62.0 *	170.6 *
Balance sheet total, SEKbn	190.9	155.9 *	183.1 *
Lending, SEKbn	128.8	114.7	123.6

* Change of certain valuation and accounting principles means that comparative numbers for 2009 have been changed. The changes are due to the regulatory code FFFS 2009:11, issued by the Swedish Financial Supervisory Authority (Finansinspektionen).

For further information

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The report for the first six months 2010 will be published August 30 in Swedish, September 6 in English and September 10 in Japanese.

INCOME STATEMENT

SEK mn	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Interest income	1,292.2	1,879.2	3,339.7
Interest expenses	-1,078.0	-1,673.1	-2,957.6
Net interest income	214.2	206.1	382.1
Commission expenses	-1.7	-1.5	-3.5
Net result of financial transactions	62.5	-219.9	90.6
Other operating income	0.2	0.2	0.2
Total operating income	275.2	-15.1	469.4
General administration expenses	-76.7	-47.4	-127.8
Depreciation of tangible assets	-1.3	-0.8	-1.8
Other operating expenses	-2.1	-2.0	-4.8
Total expenses	-80.1	-50.2	-134.4
Operating profit/loss	195.1	-65.3	335.0
Allocations	-51.4	1.6	-82.5
Tax on profit for the period	-38.4	1.7	-81.9
Profit for the period	105.3	-62.0	170.6
Statement of Comprehensive Income			
Income for the period accounted for in the Income Statement	105.3	-62.0	170.6
Other comprehensive income			
Financial assets available for sale	-54.2	11.9	50.7
Loans and receivables	-2.1	-2.1	-4.2
Tax attributable to other comprehensive income	14.8	-5.1	-14.7
Total other comprehensive income	-41.5	4.7	31.8
Total profit or loss	63.8	-57.3	202.4

BALANCE SHEET

SEK mn	30 June 2010	30 June 2009	31 Dec 2009
ASSETS			
Cash	0.0	0.0	0.0
National debt instruments eligible as collateral	15,150.4	7,785.2	20,912.3
Lending to credit institutions	1,390.3	3,319.2	1,851.3
Lending	128,785.2	114,740.3	123,624.1
Bonds and other interest-bearing securities	30,432.4	16,336.4	25,604.1
Shares and participations	0.8	0.4	0.7
Shares in associated companies	0.5	0.5	0.5
Derivatives	14,986.0	13,656.3	11,105.2
Tangible assets, equipment	6.4	3.8	3.6
Other assets	123.8	28.0	19.3
Prepaid expenses and accrued revenues	6.8	2.3	7.1
Total assets	190,882.6	155,872.4	183,128.2
LIABILITIES AND EQUITY			
Liabilities to credit institutions	7,710.2	4,521.8	7,348.1
Securities issued	174,291.4	141,397.1	164,696.1
Derivatives	7,766.2	9,461.0	9,873.0
Other liabilities	115.6	19.7	349.6
Accrued expenses and deferred revenues	54.2	10.5	35.6
Provisions for pensions and similar obligations	1.0	0.5	0.9
Total liabilities	189,938.6	155,410.6	182,303.3
Untaxed reserves	186.1	50.5	134.7
Share capital	273.5	244.6	269.6
Statutory reserve	17.5	17.5	17.5
Fair value reserve	-0.2	14.2	41.3
Profit brought forward	361.8	197.0	191.2
Profit for the period	105.3	-62.0	170.6
Total equity	757.9	411.3	690.2
Total equity and liabilities	190,882.6	155,872.4	183,128.2
Memorandum items			
Other pledged assets	3,156.4	411.0	3,499.9
Contingent liabilities	None	None	None
Obligations			
Pledged loans	1,976.4	1,941.0	1,498.9

Changes in accounting principles

Due to changes being implemented by the Swedish Financial Supervisory Authority (Finansinspektionen), Kommuninvest has changed certain valuation and accounting principles as described below. The changes are being implemented through the regulatory code FFFS 2009:11 and affects rules in the regulatory code FFFS 2008:25 regarding annual reporting in credit institutions and securities companies

According to the principles applied previously, Kommuninvest has within the framework for applied principles for hedge accounting, which has been FFFS 2008:25 and not IAS 39, valued financial liabilities in accordance with fair value hedge accounting.

Since the regulations from Finansinspektionen no longer approves any other model for hedge accounting than IAS 39, Kommuninvest has made the following changes in its applied principles;

- Fair value hedge accounting of interest rate risk has been implemented in accordance with the principles in IAS 39 and is being applied for financial liabilities that have fixed interest rate payments and where a derivative instrument is used to hedge interest rate or foreign exchange exposure
- Application of fair value option on financial liabilities that have fixed interest rate payments and financial liabilities made with so called embedded derivatives instruments, structured borrowing.

Effects of the change in accounting principles

Items in the income statement and balance sheet that have been changed due to application of the new rules by the Swedish Financial Supervisory Authority (Finansinspektionen), regarding annual reporting by credit institutions and securities companies (FFFS 2009:11).

2009-06-30, SEKm

	Before (FFFS 2008:25)	Adjustment	After (FFFS 2009:11)
Income statement			
Net result of financial transactions	-104.2	-115.7	-219.9
Operating income	100.6	-115.7	-15.1
Operating profit	50.4	-115.7	-65.3
Tax on profit for the period	-28.7	30.4	1.7
Profit for the period	23.3	-85.3	-62.0
Balance sheet			
Derivatives (assets)	13 763.4	-107.1	13 656.3
Derivatives (liabilities)	9 452.3	8.7	9 461.0
Other liabilities	50.2	-30.5	19.7
Profit for the period	23.3	-85.3	-62.0

2009-12-31, SEKm

	Before (FFFS 2008:25)	Adjustment	After (FFFS 2009:11)
Income statement			
Net result of financial transactions	-50.7	141.3	90.6
Operating income	328.1	141.3	469.4
Operating profit	193.7	141.3	335.0
Tax on profit for the period	-44.7	-37.2	-81.9
Profit for the period	66.5	104.1	170.6
Balance sheet			
Derivatives (assets)	10 974.0	131.2	11 105.2
Derivatives (liabilities)	9 883.1	-10.1	9 873.0
Other liabilities	312.4	37.2	349.6
Profit for the period	66.5	104.1	170.6