

ANNUAL ACCOUNTS 2010

KOMMUNINVEST I SVERIGE AB

The year in summary

- 12 new members
- Balance sheet total SEK 190.2 (183.1) billion
- Lending SEK 133.7 (123.6) billion
- Operating profit SEK 275.7 (335.0) million

The President's comments

2010 was an important year for Kommuninvest. Our work to consolidate Kommuninvest's role as the Swedish Local Government Debt Office was manifested in several ways:

- Kommuninvest was approved as a counterparty to the Swedish Riksbank. This is a recognition of Kommuninvest's importance to the Swedish financial system. It also has positive effects on our management of and access to liquidity.
- The raising of SEK 1 billion in capital, by way of a subordinated loan from Kommuninvest members, was concluded successfully. This clearly confirmed our owners' long-term commitment.
- In November, we issued the first bonds in the Swedish Benchmark Programme, for a total of SEK 15 billion in two bonds. This programme should enable us to better fulfil our mission and to lower overall funding costs for the municipal sector. The initial and subsequent bond issues have shown that there is considerable investor interest in these bonds.

Kommuninvest belongs to the group of financial institutions that have exited the financial crisis in good shape. The ongoing transition with regards to financing the Swedish municipal sector continued during the year, leading to a strengthening of Kommuninvest's market position. We have, received an influx of new members and clarified our significance for financial stability.

Our strategy holds firm, and we are experiencing a continued influx of municipalities and county councils to the Kommuninvest cooperation. 12 new members were accepted in 2010. By providing an ever-larger share of the municipal sector with efficient and stable funding, Kommuninvest can increase its contribution to good welfare and a positive development for Sweden.

Tomas Werngren, President and CEO

Market

2010 was characterized by a gradual stabilization and recovery of the world economy. International capital markets were however still affected by recurrent uncertainty, primarily caused by the fragile public finances of certain European countries. These countries experienced rapidly increasing costs for borrowing. To calm market uncertainty, fiscal austerity measures were decided upon in several European countries.

The European Union also decided to establish a European Financial Stability Fund, designed to be able to support individual member states. The world's central banks continued their market interventions in order to maintain financial stability and contribute to increasing market confidence. The Basel Committee presented its proposals for new financial regulations, with more stringent demands for both capital and liquidity at financial institutions.

The Swedish economy enjoyed rapid growth during the year and the banking system displayed increasing profitability, as the levels of credit loss decreased particularly in the Baltic countries. The Riksbank raised its repo rate on four occasions, from 0.25 per cent at the outset of the year to 1.25 per cent at year-end.

The high creditworthiness of Kommuninvest and its role as the Local Government Debt Office have contributed to the position as a stable and safe borrower, leading to high demand from all types of investors.

The beginning of 2011 has primarily been marked by geopolitical uncertainty in the wake of public revolts and transitions of power in a number of North African countries. Questions remain surrounding the management of the European sovereign debt crisis, the US economy, dealing with global imbalances and rapidly increasing prices for raw materials. Predictions from economic forecasters are for a relatively stable recovery of the world economy.

Kommuninvest is pursuing its strategy of broadening the investor base, in terms of both new financial markets and new categories of investors, as well as continuing to develop new loan products to meet investor demands.

Kommuninvest's business is affected mainly by the number of members of the society and their financial requirements, as well as by Kommuninvest's ability to offer them good borrowing terms. The latter is dependent on Kommuninvest in turn being able to obtain favourable terms for its own financing in domestic and international capital markets.

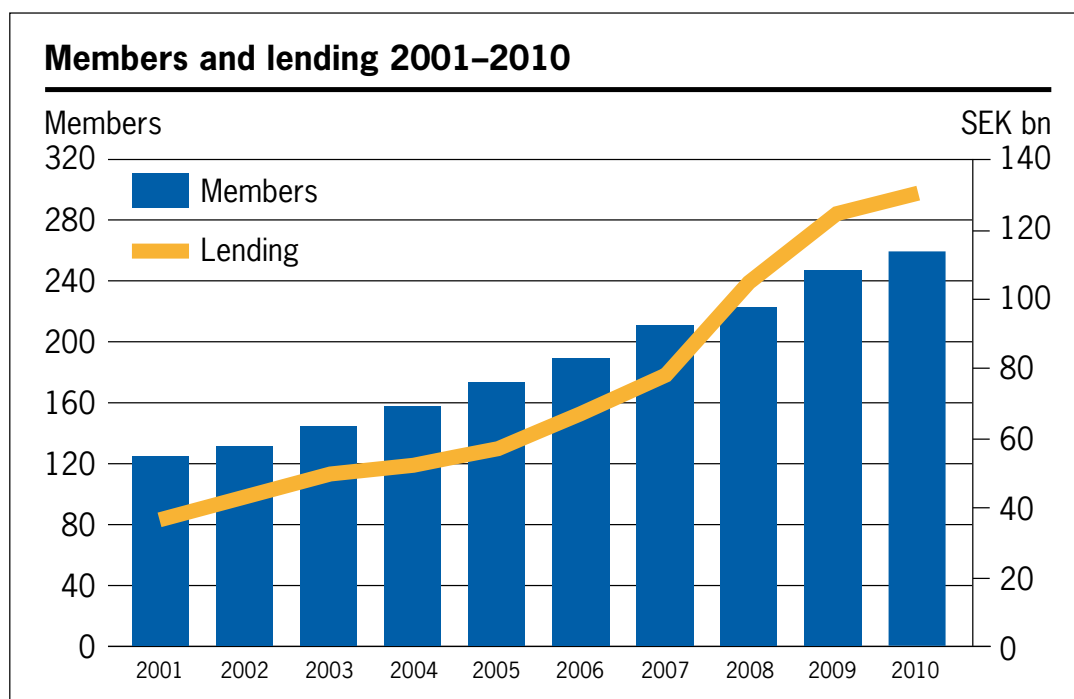
Stable membership growth

Kommuninvest is a membership organisation founded on the idea of voluntary cooperation between Sweden's municipalities and county councils in order to take advantage of common interests.

The cooperative society acquired 12 new members during the year, and by year-end 2010 Kommuninvest had 260 (248) members of which 253 (241) were municipalities and 7 (7) were county councils. The number of members increased in line with Kommuninvest's long-term growth plans.

The new members who joined during 2010 were:

- The Municipality of Sorsele
- The Municipality of Falköping
- The Municipality of Upplands Väsby
- The Municipality of Hylte
- The Municipality of Borgholm
- The Municipality of Höör
- The Municipality of Vara
- The Municipality of Vallentuna
- The Municipality of Salem
- The Municipality of Tyresö
- The Municipality of Tidaholm
- The Municipality of Värmdö



Continued highest credit rating

Kommuninvest has had the highest possible credit rating (Aaa) from Moody's since April 2002, and also the highest (AAA) from Standard & Poor's since 2006 for its long-term funding. These credit ratings reflect the collective financial strength of Kommuninvest's members and the public sector as a whole. Kommuninvest also has the highest possible rating for its short-term borrowings.

Results

Operating profit (profit before tax and appropriations) amounted to SEK 275.7 (335.0) million. The result includes effects from mark-to-market valuations of SEK -86.5 (-9.4) million. The profit after tax and appropriations amounted to SEK 140.6 (170.6) million.

Net interest income increased to SEK 432.1 (382.1) million. The improvement is attributed to a strong development throughout the year, with increased lending volumes and improved margins. The higher margins are attributable to the ongoing capitalisation of the company, in line with the ownership directives.

The buy-back of issued securities and the sale of financial instruments contributed SEK 102.5 (97.0) million to the result, as recognised under "Net result of financial transactions".

Unrealised changes in market values shown on the income statement amounted to SEK -86.5 (-9.4) million, and are shown under "Net result of financial transactions". The unrealised changes in market values are attributable to the improved creditworthiness of Kommuninvest's outstanding debt as well as the increased margin between lending and borrowings. Kommuninvest's intention is to hold assets and liabilities until maturity, which means that the changes in market values will not be realised.

Expenses amounted to SEK 169.4 (134.4) million. The increase in expenses is mainly due to increased costs for personnel, IT, and consultants as well as to the stabilisation fee levied by the Swedish government. The stabilisation fee amounted to SEK 41.2 (25.6) million.

The operating profit (the profit excluding the effects of changes in unrealized market values) amounted to SEK 362.2 (344.4) million.

Financial position

The balance sheet total increased to SEK 190.2 (183.1) billion as a result of increased lending volumes, increased borrowings and the subordinated loan issued by Kommuninvest Cooperative Society.

Lending

By year-end, lending amounted to SEK 133.7 (123.6) billion. In nominal terms (actually lent), lending was SEK 132.9 (121.9) billion, an increase of 9 per cent compared to the previous year. The increase in lending can be attributed to solid demand from Kommuninvest's members.

Investments

At year-end, Kommuninvest had SEK 43.3 (48.4) billion invested. The majority of investments are made with the Swedish State, state-guaranteed financial institutions from OECD countries and Nordic banks. To ensure high liquidity, investments can only be made with counterparties that carry a rating of at least A2 (Moody's) or A (Standard & Poor's).

Kommuninvest has low exposure to the countries that have been at the centre of the European sovereign debt crisis. The only exposure is an investment with the Spanish state-guaranteed bank Instituto de Crédito Oficial, representing 2 per cent of invested funds.

Borrowings

At year-end, borrowings amounted to SEK 177.3 (172.0) billion. Most of Kommuninvest's borrowings are undertaken in the form of issued bonds (for terms of over 1 year) and certificates (for terms of less than 1 year). A smaller part of the borrowings take place as direct loan financing. Kommuninvest is principally engaged in non-exotic types of financial instrument with fixed or variable interest rates and with maturities between 1 day and 30 years.

Derivatives

Derivatives with positive and negative market value amounted to SEK 13.0 (11.1) billion and SEK 10.8 (9.9) billion respectively. Derivates contracts are used for risk management purposes, to reduce market risks occurring when the contractual maturities of borrowings and lending/investments do not match.

Subordinated debt

Subordinated debt comprises a subordinated loan issued by Kommuninvest Cooperative Society.

Equity

At year-end 2010, equity amounted to SEK 782.8 (690.2) million. In addition to the profit for the year, equity has also been affected by changes in market value of financial assets classified as available-for-sale, where unrealised changes in market value are entered directly against equity in the "Fund for fair value".

Share capital

On the authorisation given to the Board by the Annual General Meeting, the share capital increased by SEK 18.8 (32.9) million due to a new issue. The purpose of this was to strengthen the company's financial base by transferring participation capital from new members of the Society. Such transfers have been carried out regularly as membership has increased. At year-end, the share capital amounted to SEK 288.4 (269.6) million, allocated across 2,884,550 (2,696,200) shares.

Credit losses

Credit losses amounted to SEK 0 (0) million.

Change in accounting principles

Due to changes implemented through regulation FFFS 2009:11 on changes to the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual accounts for credit institutions and securities companies (FFFS 2008:25), Kommuninvest has amended certain valuation and accounting principles.



To achieve comparability over Kommuninvest's development and financial position, a recalculation of the comparison year has been made. The net result of financial transactions has been adjusted by SEK 141.3 million, tax for the period has been adjusted by SEK -37.2 million and the profit for the period has been adjusted by SEK 104.1 million. Consequently, profit brought forward at January 1, 2010 has been adjusted up by SEK 104.1 million.

Capital coverage

The capital coverage quota amounted to 10.09 (3.55). In addition, Kommuninvest has established an internal capital ratio, which includes an additional risk allocation as a buffer for risks that are not accounted for in pillars 1 and 2. The capital base was SEK 1,888.4 (619.1) million. The increase was primarily an effect of the subordinated loan from Kommuninvest Cooperative Society, but also due to the positive result.

Members' responsibility

During the year, and to clarify the responsibility that each member carries, Kommuninvest has developed two additional agreements complementing the members' joint and several guarantee. Each member has been notified of the distribution of responsibility through a commitment notification.

Events of considerable importance occurring during the fiscal year or afterwards

Kommuninvest has concluded the strengthening of the capital base by means of a SEK 1 billion subordinated loan from Kommuninvest Cooperative Society. The purpose of the capitalisation is that the company shall continue to realise the best possible long-term financial conditions for the members of Kommuninvest Cooperative Society; that the company shall be able to offer all Swedish municipalities and county councils a competitive financing alternative; that the company shall maintain the highest possible credit rating and secure continuous cost-efficient borrowings on international capital markets; that the company shall be even better prepared for exceptional financial events. The capital strengthening is not brought about as a result of losses incurred by the company, but rather that the company, much like other banks and financial institutions, must be able to demonstrate that it has a high readiness for exceptional financial events and that it has a strong ability to absorb losses.

Kommuninvest has been approved as Monetary Policy Counterparty to the Swedish Riksbank. Kommuninvest was approved as a Restricted Monetary Policy Counterparty in September 2009, and as a Monetary Policy Counterparty in January 2010. Kommuninvest has been accepted to participate in the Riksbank's payment system, RIX, a central hub in the Swedish financial infrastructure. Kommuninvest was accepted as a member of RIX in January 2010.

Kommuninvest has established a Swedish Benchmark Programme for continuous issuance of bonds, Swedish Municipal Bonds. The ambition is for the Swedish Benchmark Programme to become Kommuninvest's largest funding programme, with an outstanding volume in excess of SEK 100 billion.

Risks and uncertainties

Kommuninvest faces a number of risks and uncertainty factors in its operations that could negatively affect the company's result, financial status, future prospects, or possibility to fulfil objectives that have been set.

The general development of the capital markets including interest rate development and the liquidity situation, as well as willingness to invest in various markets, can affect the overall competitive situation and the way in which Kommuninvest's competitive advantage develops. If Kommuninvest is unable to recruit and retain qualified personnel, this could limit Kommuninvest's competitiveness and opportunities for further development.

Employees and the environment

The number of employees increased by four people during the year and totalled 53 (49) at year-end. Kommuninvest does not conduct any operations that require a licence under Sweden's

Environmental Code. Kommuninvest has drawn up an environmental policy which the Board established during 2009.

Prospects for 2011

Interest in Kommuninvest's business concept is increasing, and the society will be acquiring several new members during 2011. This is expected to lead to an increase in net lending, as there is a historical correlation between membership growth and net lending growth. In the present market situation Kommuninvest is deemed to be in a good position to be able to offer competitive loan products.

Group contribution

Kommuninvest will pay a group contribution of SEK 7.7 million to Kommuninvest Cooperative Society. This contribution will enable the Society to carry out a participation issue to members for the tenth consecutive year. If the Annual General Meeting approves the Board's proposal, the issue will correspond to 1.5 per cent of the participation capital. The Board of Kommuninvest i Sverige AB also intends to propose a new issue of shares to the Parent Society of SEK 3.9 million. The size of the new issue corresponds to the total of the proposed participation issue in the Society.

The Board

At the Annual General Meeting on March 25, 2010, Kurt Eliasson and Anna Sandborgh were appointed new Board members. Ingemar Alserud and Kerstin Ryding resigned on that same date. Tommy Persson, the Chairman of the Board since 2008, resigned at his own request on June 1, 2010. The Board decided that the Deputy Chairman, Ellen Bramness Arvidsson, would step in as Chairman until a new, permanent Chairman could be appointed. In addition to these, the Board consists of Lorentz Andersson, Anna von Knorring, Catharina Lagerstam and Johan Törngren.

Executive management

The executive management group consists of Tomas Werngren, President and CEO, Maria Viimne, Deputy CEO, Anders Gånge, Head of Funding & Treasury, and Johanna Larsson, Head of Administration.

The Annual General Meeting will be held on April 7, 2011, after which date the full 2010 Annual Report will be available on the Kommuninvest website: www.kommuninvest.se.

Questions may be directed to:

Chairman of the Board Ellen Bramness Arvidsson, tel +46 (0)70-237 37 92

Tomas Werngren, President and CEO, tel +46 (0)70-645 06 69

Anitha Holmberg, Head of Corporate Communications tel +46 (0)70-638 66 63

Örebro, March 1, 2011

The Board of Kommuninvest i Sverige AB (publ)

The annual accounts have not been reviewed by the company's auditors.

About Kommuninvest

Kommuninvest acts as the Swedish Local Government Debt Office and is a credit market company owned and guaranteed by Swedish municipalities and county councils. The company's remit is to create the best conditions in the long term for members' borrowing based on a municipal value foundation. Kommuninvest borrows money on the national and international capital markets and has the highest possible credit rating, AAA/Aaa. Kommuninvest has the lowest possible risk rating (BIS 0 percent). The company is a monetary counterparty in the Swedish Riksbank. The 261 members comprise 90 per cent of the Swedish municipalities and 35 per cent of the Swedish county councils and regions. The balance sheet total was SEK 190 bn and lending SEK 134 bn at the end of 2010.

Kommuninvest i Sverige AB (publ)

Org nr: 556281-4409.

Styrelsens säte: Örebro

Kommuninvest Ekonomisk förening

Org nr: 716453-2074.

Styrelsens säte: Örebro

Kommuninvest Fastighets AB

Org nr: 556464-5629.

Styrelsens säte: Örebro

INCOME STATEMENT

1 January – 31 December

SEK mn	2010	2009
Interest income	3 025,0	3 339,7
Interest expenses	-2 593,0	-2 957,6
NET INTEREST INCOME	432,1	382,1
Commission expenses	-4,4	-3,5
Net result of financial transactions	17,2	90,6
Other operating income	0,3	0,2
TOTAL OPERATING INCOME	445,1	469,4
General administration expenses	-160,5	-127,8
Depreciation of tangible assets	-2,7	-1,8
Other operating expenses	-6,2	-4,8
TOTAL EXPENCES	-169,4	-134,4
OPERATING INCOME	275,7	335,0
Appropriations	-83,2	-82,5
Tax on net income for the year	-51,9	-81,9
INCOME FOR THE YEAR	140,6	170,6

Statement of comprehensive income	2010	2009
Income for the year	140,6	170,6
<i>Other comprehensive income</i>		
The year's changes in fair value of available-for-sale financial assets	-67,2	50,7
Loans and receivables	-4,2	-4,2
Tax attributable to items in other comprehensive income	18,8	-14,7
Total other comprehensive income for the year	-52,6	31,8
Comprehensive income for the year	88,0	202,4

BALANCE SHEET

As at 31 December

SEK mn	2010	2009
ASSETS		
Cash	0.0	0.0
State bonds eligible as collateral	12,887.7	20,912.3
Lending to credit institutions	1,697.6	1,851.2
Lending	133,729.1	123,624.1
Bonds and other interest-bearing securities	28,759.5	25,604.1
Shares and participations	1.0	0.7
Shares and participations in associated companies	0.5	0.5
Derivatives	13,024.0	11,105.3
Tangible assets	6.9	3.6
Other assets	67.5	19.3
Prepaid expenses and accrued revenues	26.4	7.1
TOTAL ASSETS	190,200.2	183,128.2
LIABILITIES, PROVISIONS AND EQUITY		
Liabilities to credit institutions	3,438.9	7,348.1
Securities issued	173,851.9	164,696.1
Derivatives	10,794.2	9,873.0
Other liabilities	66.4	349.6
Accrued expenses and prepaid revenues	44.1	35.6
Provisions	1.2	0.9
Subordinated debt	1,002.9	-
Total liabilities and provisions	189,199.5	182,303.4
Untaxed reserves	217.9	134.7
Equity	782.8	690.2
Restricted equity		
Share capital (2,734,550 shares, quoted value SEK 100)	273.4	259.6
New share issue in progress (150,000 shares, quoted value SEK 100)	15.0	10.0
Statutory reserve	17.5	17.5
Unrestricted equity		
Fair value reserve	-11.3	41.3
Profit brought forward	347.6	191.2
Income for the year	140.6	170.6
Total equity	782.8	690.2
TOTAL LIABILITIES, PROVISIONS AND EQUITY	190,200.2	183,128.2
Memorandum items		
Collateral pledged for own liabilities	4,808.2	3,499.9
Contingent liabilities	None	None
Obligations		
Pledged loans	1,856.0	1,498.9