


KOMMUNINVEST

The Swedish local government funding agency

FINANCIAL STATEMENT

KOMMUNINVESTS' ANNUAL REPORT FOR 2006

Highlights of the year

- Kommuninvest attracted 15 new members, now 189 members in total.
- Net lending increased by SEK 10.1 billion and lending totalled SEK 66.8 billion at year-end.
- Borrowing in 2006 increased by SEK 8.8 billion.
- The balance sheet total increased by 11% to SEK 101.2 billion.
- Operating profit totalled SEK 29.5 million.
- Kommuninvest awarded highest credit rating, AAA, by Standard & Poor's. In Sweden, only Kommuninvest and the Kingdom of Sweden have the highest possible credit rating from both Standard & Poor's and Moody's.

"Pleasingly, it is clear that developments over the past year are leading straight towards our long-term vision: to be a local debt office for all of Sweden's municipalities and county councils. With our role as a public debt office, our operation has its own distinctive position in the marketplace. During the year it has continuously been confirmed that finance market players perceive Kommuninvest as a stable, efficient, knowledgeable business partner representing the public sector. On the date of the Annual General Meeting almost 70% of Sweden's municipalities and 35% of Sweden's county councils will be members of Kommuninvest. Bearing in mind the assessment that there is a latent great need for investment in the sector, all signs indicate increased demand for credit in the years to come. The ultimate proof of the strength in the idea of Kommuninvest as a local debt office is the influx of new members and a steady increase in lending,"

President and CEO Tomas Werngren

Continued growth in membership

The continued growth in membership is fundamental when Kommuninvest is to fulfil its public remit of providing its members with effective financial management and the best terms for long-term financing. Kommuninvest proudly welcomed 15 new members in 2006. There were 189 members at the year-end: 182 municipalities and 7 county councils. This means that as many as 63% of the municipalities and 35% of the county councils in Sweden are now part of Kommuninvest.

Adapting to rapid growth

It is crucial that we retain high quality in our operation, even during rapid growth. A lot of time and energy has been spent in 2006 on improvements and changes. The quality of support systems and work flows has been raised, and many different areas of the company have been affected.

Kommuninvest i Sverige AB (publ)
Corporate Identity Number: 556281-4409.
Registered office: Örebro

Kommuninvest Ekonomisk förening
Corporate Identity Number: 716453-2074.
Registered office: Örebro

Kommuninvest Fastighets AB
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A Group for Ownership Issues was formed during the year to review constitutional issues. The group, which represents the Boards of both Kommuninvest Cooperative Society and Kommuninvest i Sverige AB, focuses for example on strategic issues related to member relations.

Strong results in a competitive arena

The market in 2006 has been characterised by increased competition, and the margin between interest rates for borrowing and lending has decreased. At the same time, financial players have shown great interest in loans to the municipal sector.

In this challenging climate, during the year Kommuninvest has seen the highest increase in lending in its history. We achieved excellent results without burdening members with high margins.

Highest rating from two institutions

Since 2002, Kommuninvest has had the highest possible credit rating, Aaa, from the rating institution Moody's. In 2006 we also received the highest rating, AAA, from Standard & Poor's. Our high rating is firm proof that the market perceives Kommuninvest as a very stable, secure organisation. Kommuninvest has a public remit to offer municipalities and county councils, along with their majority-owned companies, effective finance solutions. Municipalities and county councils are equated with state exposure according to prevailing capital coverage rules, and have a zero risk-weighting.

Kommuninvest attracts international attention

The Financial Times featured an article on Kommuninvest in October. The article refers to Kommuninvest as a 'striking experiment' that could serve as a source of inspiration for countries in Eastern Europe, among others.

Financial development during the year

Profit for the year amounted to SEK 17.8 (31.6) million, the balance sheet total for 2006 amounted to SEK 101.2 (91.1) billion. Kommuninvest's net interest income in 2006 increased by 9.5% to SEK 100.2 (91.5) million, and operating profit amounted to SEK 29.5 (56.0) million. In 2006 new borrowing amounted to SEK 8.8 (21.7) billion, and net lending to SEK 10.1 (5.6) billion.

The Annual General Meeting will be held on Thursday 22 March 2007, after which date the full 2006 Annual Report will be available to order from the Kommuninvest website: www.kommuninvest.org. Questions may be directed to President and CEO Tomas Werngren, tel +46 (0)70-645 06 69 or Chairman of the Board Robert Stenram, +46 (0)70-950 22 92, on Thursday 15 February after 6 p.m. CET.

Örebro, 15 February 2007
Kommuninvest i Sverige AB (publ)

Kommuninvest is a local debt office for the municipal sector in Sweden. The primary aim of the operation is to offer effective finance solutions for member municipalities and county councils. Both of the major credit rating institutions – Moody's and Standard & Poor's – have awarded Kommuninvest the highest rating, which entails the same creditworthiness as the Kingdom of Sweden. Kommuninvest i Sverige AB (publ) is regulated by the Swedish Financial Supervisory Authority.

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