

Municipality Finance gained its market share

Due to the financial crisis, the first half of the year presented extraordinary operating conditions for Municipality Finance Plc. Funding acquisition reached record-breaking levels. The operating result of the Municipality Finance Group was clearly better than in the previous year and the loan portfolio grew from last year's end. During the spring, the company carried out a very successful share issue.

Rapid growth in lending

The long-term loan portfolio of Municipality Finance Plc increased by 15.9% from last year's end and 40.4% from the end of June 2008. The long-term loan portfolio at the end of June amounted to EUR 8,768 million, the corresponding figure having been EUR 6,245 million the previous year. The most significant growth was seen in loans for financing government-subsidised housing.

The operating result of the Municipality Finance Group showed clear improvement during the first half of the year at EUR 11.4 million, compared to EUR 5.9 million the year before. The Group's balance sheet totalled EUR 13.9 billion at the end of June, the corresponding figure a year earlier being EUR 9,6 billion.

Record-breaking funding acquisition

Municipality Finance Plc acquired a total of EUR 3,937 million in long-term funding in several markets over the first half of the year (1 January – 30 June 2008: EUR 2,171 million). The parent company's total funding at the end of June amounted to EUR 12,510 million (30 June 2008: EUR 8,149 million).

Despite a couple of slower months at the start of the year, funding acquisition grew at a record pace after market conditions improved in March. Funding acquisition in the first half of 2009 equalled that of the whole of the previous year. The cost of funding acquisition has, however, increased from the previous year as demand has picked up.

Successful share issue

During the first half of the year, Municipality Finance Plc successfully carried out a share issue that brought in nearly EUR 41 million in new equity, corresponding to approximately 12.7 million shares. The company has 39 new shareholders as a result of the share issue, including the state, Finnish municipalities and municipal corporations. The company counts 272 municipalities among its shareholders.

The primary credit institution for the Finnish municipal sector

"The financial crisis has brought about a radical change in our competitive environment. While competition was fierce last year, our rivals have now moved away from municipal sector financing. As a result, Municipality Finance has seen its market share shoot up to 94.3%; in practice this means that Municipality Finance has almost sole responsibility for financing the Finnish municipal sector. The situation does, however, prove that the system created to secure municipal borrowing is able to meet its objectives even in crisis conditions," stated CEO **Pekka Averio**.

Municipality Finance Plc

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Municipality Finance Plc is a local government credit institution owned by Finnish municipalities, the Local Government Pensions Institution and the Government and is the parent company of the Municipal Finance Group. Municipality Finance Plc specialises in the funding of housing production. The company's mission is to ensure top-value financial services for its clients, to be efficient and to grow profitably. The Group's balance sheet totalled EUR 13.9 billion on June 30, 2009. The company offers market-based funding to municipalities and municipal federations, to municipality-controlled entities and non-profit housing corporations. The company's funding, which is guaranteed by the Municipal Guarantee Board, is obtained from international capital markets and domestic investors. Funding provided by the company goes into social and non-profit service projects, such as schools, housing and hospitals. The Group includes Financial Advisory Services Inspira Ltd, which offers financial advisory services for investments, financial and asset arrangements, asset management and various analysis services.