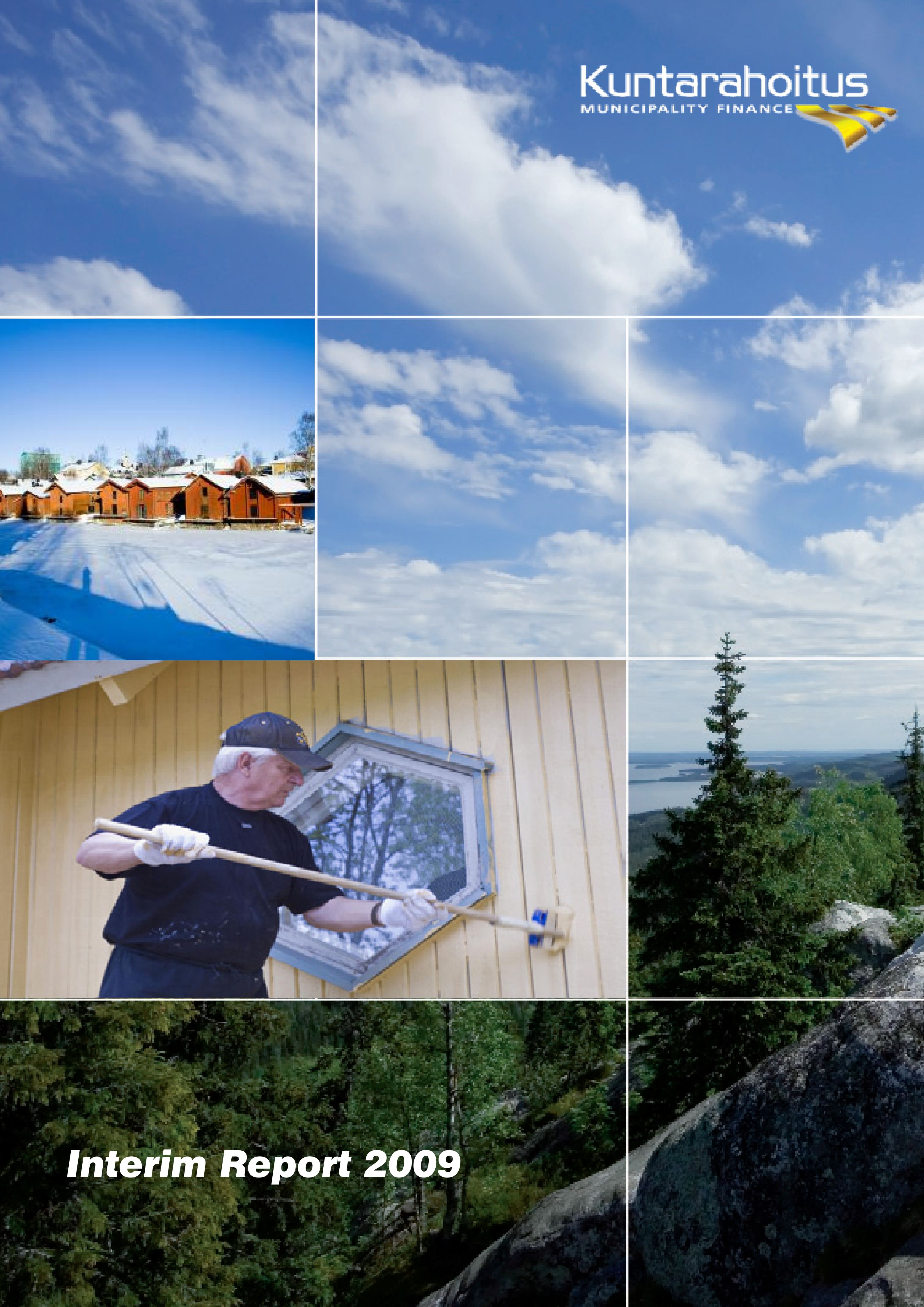
Kuntarahoitus
MUNICIPALITY FINANCE



Interim Report 2009

CEO'S REVIEW

Due to the financial crisis, the first six months of the current financial year have presented extraordinary conditions for Municipality Finance Plc. The company carried out a very successful share issue. After the uncertainty that characterised the markets at the beginning of the year, the company's basic operations have continued well. The Municipality Finance Group's operating profit improved significantly from last year, the loan portfolio has grown since the end of last year and a new, record-breaking level has been achieved in funding acquisition.

The Municipality Finance Group's balance sheet for January-June totalled EUR 13.9 billion, rising from last year's corresponding figure of EUR 9.6 billion. The Group's net operating profit was EUR 11.4 million (compared to EUR 5.9 million in the same period last year).

Successful share issue

The share issue that concluded in June brought in nearly EUR 41 million in new equity, corresponding to approximately 12.7 million shares. The entire municipal sector participated in the effort on a broad front, and we would like to take this opportunity to express our gratitude to our shareholders, both old and new. The 39 new shareholders include the state, municipalities and municipal corporations. The company now has 272 municipalities among its 303 shareholders. The Finnish state's involvement through becoming a shareholder with EUR 20 million worth of shares further strengthens the company's position.

The share issue also improved our operational prospects in this time of growth. The joint funding acquisition system of municipalities has proved it functions well even in times of crisis.

Strong growth in lending

The tight financial conditions experienced by municipalities are manifested in significant increases in lending. The long-term loan portfolio of Municipality Finance totalled EUR 8,768 million at the end of June, the corresponding figure in the previous year having been EUR 6,245 million. The loan portfolio has increased by 15.9% from the end of last year and 40.4% from the end of June 2008. The largest area of growth was financing for state-subsidised housing.

The financial crisis has brought about a radical change in the competitive situation between financial institutions as our competitors' interest in financing housing production subsidised by the state and municipalities has fallen sharply. As a result, Municipality Finance Plc's market share has shot up to 94.3%; in practice this means that Municipality Finance has had almost sole responsibility of new funding for the municipal sector. Municipalities' borrowing will remain at a high level.

Record-breaking funding acquisition

The parent company, Municipality Finance Plc, acquired a total of EUR 3,937 million in long-term funding during January-June (1 January – 30 June 2008: EUR 2,171 million). The parent company's entire funding acquisition totalled EUR 12,510 million at the end of the period (the corresponding figure in the previous year was EUR 8,149 million).

After a couple of slower months at the start of the year, funding acquisition grew at a record pace during the period. March saw a marked improvement in market conditions, which have remained good from that point onwards. 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.

Funding acquisition has continued to focus on international markets and the Asian markets in particular. We have also been very active in Switzerland and Germany. In the domestic market, eight Municipal Bonds were issued.

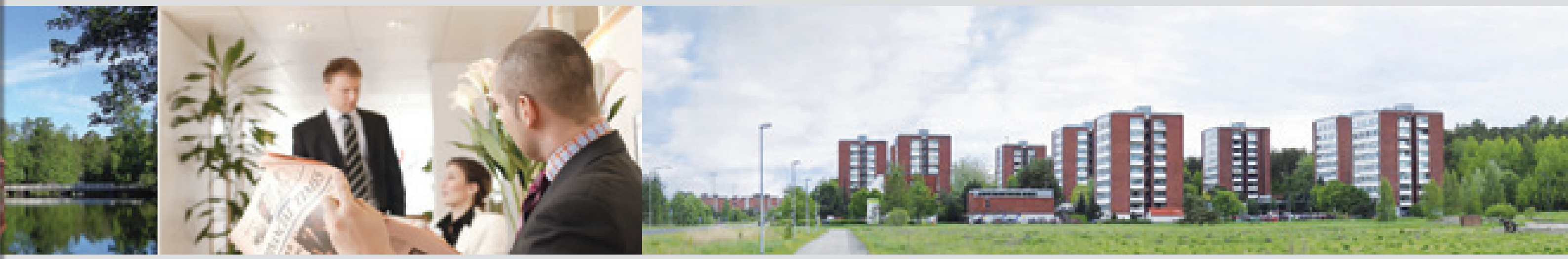
Towards new challenges

Municipality Finance is preparing for new challenges by sharpening its organisation in order to respond to customer needs even better than before. Operations are now divided into five units: financing, treasury, administrative services and risk management and business development and marketing.

Despite the extraordinary economic conditions, the company's outlook for the rest of the year is good. In other words, there is every reason to be confident about the future.

Looking forward to an interesting autumn

Helsinki, 27th August 2009
Pekka Averio
CEO



INTERIM REPORT 2009

The Municipality Finance Group consists of Municipality Finance Plc (the parent company) and Financial Advisory Services Inspira Ltd (subsidiary).

The role of Municipality Finance Plc (the parent company) is to offer market-based funding to municipalities, municipal federations, municipality-controlled entities and non-profit organisations by acquiring funding from capital markets at competitive costs.

Financial Advisory Services Inspira Ltd (Inspira) offers expert financial services to the public sector. The company's services include alternative forms of funding for clients' investments, and their analysis and arrangement. In addition, Inspira offers its services for various public sector ownership arrangements by planning them, making value assessments and assisting in contract negotiations. Inspira helps the public sector to arrange its services more effectively and to invest more economically.

Except where otherwise noted, the figures presented in this interim report are consolidated figures.

The financial statements of the Municipality Finance Group have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements also conform to the Act on Credit Institutions and the standards of the Finnish Financial Supervisory Authority.

This interim report observes the EU-approved standard IAS 34 Interim Financial Reporting. The comparison figures have been prepared using the same principles.

The Municipality Finance Group's balance sheet totalled EUR 13,913 million at the end of June (30 June 2008: EUR 9,609 million). The net operating profit for January-June was EUR 11.4 million (1 January – 30 June 2008: EUR 5.9 million). The long-term loan portfolio stood at EUR 8,768 million. The loan portfolio increased by 15.9% from the end of 2008.

Operating result

Net operating profit for January-June was higher than in the previous year. Net operating profit before taxes for the period 1 January – 30 June 2009 was EUR 11.4 million (1 January – 30 June 2008: EUR 5.9 million). Net interest income for January-June was EUR 25.6 million (1 January – 30 June 2008: EUR 14.0 million), which includes profits from the repurchase of the company's own debt securities. The net income includes EUR -5.8 million in unrealised fair value changes. (1 January – 30 June 2008: EUR -4.4 million).

The operational result for the whole of 2009 is anticipated to be better than that for 2008. The main factor contributing to this positive development is the improvement in net interest income.

Lending

The Group's long-term loan portfolio at the end of June amounted to EUR 8,768 million (30 June 2008: EUR 6,245 million). The loan portfolio increased by 15.9% from the end of 2008 and 40.4% from the end of June 2008.

Long-term loans amounting to EUR 1,450 million were issued during January-June (1 January – 30 June 2008: EUR 697 million). At the end of June, there were also accepted offers amounting to approximately EUR 1,219 million (30 June 2008: EUR 491 million).

Due to the effects of the global financial crisis, the competitive environment of the parent company changed radically towards the end of 2008. Its competitors' interest in financing the municipal-sector- and government-subsidised housing production faded significantly due to the increased cost of funding acquisition and the challenging market conditions. This situation has carried over to the first half of 2009. Market share has risen to 94.3%, and in the past few months the parent company has practically had almost sole responsibility for the funding of its customer base.

Funding

The company's funding acquisition takes place on several capital markets mainly within the framework of the following debt programmes:

EMTN	EUR 15,000,000,000
Domestic debt programme	EUR 800,000,000
Treasury Bill programme	EUR 2,000,000,000
Australian debt programme	AUD 1,000,000,000

The company acquired EUR 3,937 million in long-term funding during January-June (1 January – 30 June 2008: EUR 2,171 million). A total of EUR 1,060 million was issued in short-term debt instruments under the Treasury Bill programme during January-June (1 January – 30 June 2008: EUR 486 million). Total funding at the end of June amounted to EUR 12,510 million (30 June 2008: EUR 8,149 million). Of that amount, 24% was denominated in euros and 76% in other currencies.

Uncertainty has continued to characterise the global financial markets in 2009. The cost of funding acquisition has risen significantly from last year as the demand for money has increased on the markets. Despite the increase in demand, the company has managed to ensure the availability of financing for its customer base. The strength of the Finnish state and municipal sector has been perceived very positively by foreign investors. Over the first half of the year, funding acquisition was livelier than ever before. As in previous years, a significant portion of funding acquisition was sourced from international markets. Asia has continued to be an important focal point for the funding acquisition of Municipality Finance. Japan and Taiwan have had the most significant role among Asian markets. During the first half of the year, the company has also been very active on the Swiss and German markets.

Eight Municipal Bonds have been issued during the present year.

Investment

Municipality Finance strives to acquire adequate advance funding to secure good liquidity and lending in all market situations. Assets are invested in financial instruments with a good credit rating as well as short-term money market deposits. The current market situation has highlighted the need for adequate liquidity. At the end of June, investments totalled EUR 4,368 million (30 June 2008: EUR 2,191 million). The aim over the long term is to keep the size of the advance funding portfolio at approximately 20-25% of the balance sheet total.

Liquidity continues to be excellent as a result of successful funding acquisition. The main emphasis in Municipality Finance's new investments has been on those of a very liquid, short-term nature. The negative change in the fair value reserve is due to the difficult market situation and lack of confidence among financial institutions. Thanks to the active liquidity management, the parent company has no need to realise its investments, which would have a negative impact on profits.

Risk management and internal control

The general principles, limits and benchmarks for risk management at Municipality Finance are decided by the Board of Directors of the parent company. The purpose of risk management is to make sure that the risks associated with lending, funding acquisition, investment and other business operations remain within the established risk profile.

Municipality Finance Plc applies very conservative principles to its risk management. The objective is to minimize open risk positions and to keep the overall risk status at such a low level that the parent company's good credit rating (Aaa/AAA) is not compromised.

The Treasury unit is responsible for using counterparty limits in the parent company's investment operations and for implementing practical risk management in regard to market and financing risks. Supervisory and reporting functions related to investment, counterparty risks and market risks are under the control of the Risk Assessment and Financial Planning Unit. Risk position and limit utilization are reported to the Board of Management and Board of Directors on a regular basis.

Municipality Finance Plc performs regular analyses of different risk areas with the aim of identifying changes that have taken place since the previous charting as well as new risks, and of prioritising risks and their management based on the results of the analyses.

Capital management

The equity objectives of Municipality Finance Plc relating to risk taking and the operating environment are determined in conjunction with annual planning. The planning horizon is three years. The Board of Directors approves the capital management plan and monitors it.

Municipality Finance Plc's own funds were boosted in the first half of the year by a share issue. A total of 12.7 million new shares were issued, and the company received EUR 40.7 million in new equity. The subscriptions were paid for by 3 August 2009. The share issue brought in 39 new shareholders to the company. The active participation by municipalities in the share issue is indicative of their high level of confidence in Municipality Finance Plc and the financing system for the municipal sector as a whole. The success of the share issue exceeded expectations, which gives Municipality Finance Plc the ability to ensure cost-effective funding acquisition for the municipal sector going forward. The new equity registered by the end of June (EUR 33.1 million) has been recorded in the invested free equity fund on the balance sheet. The remaining part of new share subscriptions will be registered during the month of August.

Inspira's equity capital rose by EUR 25,000 as a result of the new private individual shareholders.

Strategic risks

Strategic risk refers to the company having chosen the wrong strategy for achieving financially profitable operations or the company failing to adapt the chosen strategy to changes in the operating environment.

The management of strategic risks is based on continuous monitoring and analyses of clients' needs, forecasts of market trends and changes in the competitive situation and operating environment. Risks and their significance are assessed annually in connection with the preparation of the business plan. The current strategy extends to 2012, and the revision process is currently underway.

Credit risk

Credit risk is the risk that the counterparty might default on its obligations to the company.

The company may grant loans without a separate security only directly to municipalities and municipal federations. For others, loans must be secured with an absolute guarantee or deficiency guarantee issued by a municipality or municipal federation, or a State deficiency guarantee. Because such security is required to reduce the credit risk, all granted loans are classified as zero-risk in calculating Basel II capital adequacy.

The company has not had any non-performing assets or credit losses during its operations.

Municipality Finance has credit risk from investment instruments and derivative contracts. In the assessment of credit risks, principles and limits that are based on external credit ratings and have been approved by the parent company's Board of Directors are applied to the selection of counterparties. Nominal values of debt certificates and credit countervalues of derivatives (fair value method) are used for monitoring credit risk.

The exceptional circumstances in international financing markets in 2007-2008 have increased counterparty credit risk, which is visible as larger yield differences of debt securities relative to the risk-free interest rate as well as in the widened gap between purchase and sales prices.

The fair value method is used to calculate a credit countervalue for each derivatives counterparty, taking netting into account. The company limits credit risk with ISDA Credit Support Annexes in the case of major derivatives counterparties. The parent company has 36 Credit Support Annexes in force. Additionally, the Municipal Guarantee Board's (MGB) guarantees are used, in accordance with the amendment of 1 January 2007 to the Act on the Municipal Guarantee Board, for reducing the counterparty risks related to the derivative contracts of certain counterparties.

Market risk

Market risk means a risk of the company incurring a loss as the result of an unfavourable change in the market price or market price volatility. Mar-

ket risks include interest rate, foreign exchange rate, share price and other price risks.

For hedging against interest rate risk, Municipality Finance uses derivative contracts to change the fixed-rate cash flows from lending and funding acquisition into floating-rate cash flows. 44% of lending and 82% of funding acquisition falls within the scope of fair-value hedge accounting.

76% of the funding acquired is denominated in foreign currencies. The company hedges against exchange rate risks by using derivative contracts to translate all foreign currency denominated funding into euros.

Derivative contracts are also used for hedging against other price risks. Derivative contracts may only be concluded for hedging purposes.
The Board of Directors of the company has set the following limits on market risks:
• currency position risk
• interest rate risk based on duration
• Value-at-Risk

In addition to the aforementioned benchmarks, monthly reports are made to the management on the parent company's sensitivity to interest rates and calculations concerning changes in the balance sheet market value.

Financial risk

Financial risk means a risk of the company not being able to perform on the due date its payment obligations arising from the implementation of funding agreements or other funding activities.

The Board of Directors of Municipality Finance has set the following limits on financing risks:

• refinancing risk/sustainability of financing
• refinancing gap
• minimum and maximum levels of liquid assets

During 2009, Municipality Finance has been very active in the funding markets to ensure strong liquidity in the prevailing, uncertain funding market conditions and to prepare for growing lending demand. The advance funding was invested in debt securities, whose value was 31% of the balance sheet total at the end of June (30 June 2008: 23%).

For securing liquidity, the parent company has access to a total of EUR 140 million in the form of credit limit arrangements.

Market liquidity risk

Market liquidity risk means a risk of the company not being able to sell or cover its position at market price due to the market not having sufficient liquidity or due to the market being inactive because of a disruption.

Municipality Finance monitors the liquidity of markets and products on a continuous basis. In addition, established market standards are observed when derivative contracts are made.

In October 2008, the International Accounting Standards Board (IASB) issued instructions on the measurement of debt securities on inactive markets.

The market values of most debt securities measured at fair value are calculated on the basis of price quotations received from the markets. The market values of some debt securities are calculated using other market data.

The market values on 30 June 2009 of debt securities recognised in the fair value fund were determined using the following methods:

Valuation methods applied to debt securities recognised in the fair value fund

Debt securities quoted on market	84%
Debt securities calculated based on other market data	16%
New issues of banks guaranteed by issuer's state of domicile	4.6%
Debt securities with similar risk profiles	3.3%
Yield curve based on credit rating (calculation of cash flows)	7.9%
Market yield curve (calculation of cash flows)	0.2%

Operational risk

Operational risk means a risk of loss due to insufficient or failed internal processes, personnel, systems or external factors.

Municipality Finance has managed operational risks by separating the trading, risk management, risk monitoring, back-office work, documentation and bookkeeping duties and by creating a system of staff substitution.

Key duties and processes have been charted and described. The descriptions are updated regularly, at least once a year. The expertise of the personnel is maintained and improved by preparing a training plan in conjunction with the annual development discussions.

The realisation of operational risks is monitored with systematic loss reporting, which is used to update processes where necessary. Loss notifications are reported to the Board of Management and the Board of Directors. No losses were incurred as a result of operational risks in the first half of 2009.

The company has a contingency plan for situations where business operations are interrupted. The plan will help the parent company continue operations and limit its losses during different types of business disruption.

During the early part of the year, the company noticed a technical error in the currency valuations of financial instruments arising from the updated version of an IT application. The error had the effect of increased values for certain financial assets and liabilities on the balance sheet denominated in foreign currencies. The company believes that a similar technical error had an effect on the balance sheet at the end of 2008. The error has not affected the company's operating result, equity or capital adequacy calculations. The error in the IT application in question was remedied immediately upon detection.

Internal audit

The Board of Directors of Municipality Finance Plc, on 11 February 2005, confirmed Corporate Governance Rules that are consistent with the Corporate Governance Recommendation (2003) issued by the Helsinki Stock Exchange in all relevant parts. The Corporate Governance Recommendation is for issuers of listed shares and therefore does not directly concern the parent company, which issues bonds. The shares in the parent company are not subject to public trading and may only be held by the parties referred to in the Articles of Association. Nevertheless, the company wished to draft its own Corporate Governance Rules on the basis of the Corporate Governance Recommendation. The Board of Directors is responsible for ensuring that the parent company complies with the Corporate Governance Rules and is committed to developing the Rules in line with current legislation. The Board of Directors therefore intends to revise the company's Corporate Governance Rules based on the relevant parts of Corporate Governance Code, which came into force in 2009 and was drafted by the Finnish Securities Market Association and replaced the Corporate Governance Recommendation of the Helsinki Stock Exchange.

The Corporate Governance rules are available online on the parent company's website (www.munifin.fi).

Own funds and capital adequacy

Municipality Finance's capital adequacy ratio on 30 June 2009 stood at 16.29% (30 Jun 2008: 26.30%). The share capital on 30 June 2009 totalled EUR 42.6 million, and own funds came to EUR 162.6 million.

Since the beginning of 2007, the company has calculated its capital adequacy by using a method based on the Basel II regulations. The capital re-

Own funds and capital adequacy

EUR 1,000	Jun 30, 2009	Jun 30, 2008
Own funds		
Share capital	42,583	42,583
Minority interest	55	36
Reserve fund	277	277
Reserve for invested non-restricted equity	33,052	-
Retained profit	36,551	35,136
Planned dividend distribution (estimated)	-3,552	-2,370
Capital loans	11,177	11,177
Intangible assets	-679	-598
Total primary own funds	**119,464**	**86,241**
Fair value reserve	-31,835	-25,978
Subordinated liabilities, included in upper secondary own funds	40,000	40,000
Subordinated liabilities, included in lower secondary own funds	35,000	35,000
Total secondary own funds	**43,165**	**49,022**
Total own funds	**162,629**	**135,263**
Risk-weighted receivables		
Credit risk, standard method	**959,634**	**486,232**
Minimum requirement for own funds		
Credit risk, standard method	76,771	38,899
Market risk	0	0
Operational risk, basic method	3,103	2,251
Total minimum requirement for own funds	**79,874**	**41,150**
Capital adequacy ratio, %	**16.29**	**26.30**
Capital adequacy ratio, primary own funds, %	**11.97**	**16.77**

$$\text{Capital adequacy ratio-\%} = \frac{\text{Total own funds}}{\text{Total own funds}} * 8$$

KEY INDICATORS Municipality Finance Group

	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008
Turnover, EUR million	175.8	195.6	443.2
Net operating profit, EUR million	11.4	5.9	2.7
% of turnover	6.49 %	3.00 %	0.60 %
Balance sheet total, EUR million	13,912.8	9,609.0	12,512.0
Return on equity (ROE), %	24.66 %	24.61 %	6.20 %
Return on assets (ROA), %	0.13 %	0.16 %	0.03 %
Cost / income ratio	0.38	0.46	0.80

Turnover is the total of interest income, commission income, net income from securities and foreign exchange transactions, net income from available-for-sale financial assets, net income from hedge accounting and other operating income. Net operating profit is derived directly from the income statement.

$$\text{Return on assets (ROA) (\%)} = \frac{\text{net operating profit - taxes}}{\text{balance sheet total (average of year beginning and year end)}} * 100$$

$$\text{Return on equity (ROE) (\%)} = \frac{\text{net operating profit - taxes}}{\text{equity and minority interest (average of year beginning and year end)}} * 100$$

$$\text{Cost / income ratio} = \frac{\text{commission expenses + administrative expenses + depreciation + other operating expenses}}{\text{net interest income + commission income + net income from securities and foreign exchange transactions + net income from available-for-sale financial assets + net income from hedge accounting + other operating income}}$$

quirement relating to the credit risk is calculated using the standard method and that relating to the operational risk using the basic method. As the Group has neither a trading book nor share or commodity positions, only currency risks are taken into account in these capital adequacy calculations for market risk.

The company has not had any non-performing assets or credit losses during its operations.

Credit ratings

The best possible credit ratings have been confirmed for Municipality Finance Plc:

	Long-term funding	Short-term funding	Outlook
Moody's Investors Service	Aaa	P1	stable
Standard & Poor's	AAA	A-1+	stable

Future prospects

Demand for Municipality Finance's lending in the second half of the year is expected to remain at the level seen so far this year or increase slightly. Lending for state-subsidised housing production remains at a level clearly above that of 2008 due to national stimulus measures. Demand for lending among municipalities and municipal federations has also increased from last year, albeit not as steeply as in the housing sector. The competitive situation is expected to remain unchanged through the second half of 2009. The organisational structure of Municipality Finance has been revised and strengthened in response to the challenges presented by changing market conditions and rapid growth.

Funding acquisition has exceeded expectations during the early part of 2009. Due to its excellent credit rating and strong position on the funding acquisition markets, the company foresees no problems in terms of the availability of funding in the second half of the year.

The changing operating environment has made Inspira's clients increasingly interested in the various models of investment implementation. In addition, changes in municipal service structure has resulted in growing demand for Inspira's corporate restructuring and facility restructuring services.During the first six months, Inspira's turnover has grown as budgeted and it is expected to maintain a positive trend throughout the rest of the year.

The operational result for the whole of 2009 is anticipated to be better than that for 2008.

Annual General Meeting

Municipality Finance Plc's Annual General Meeting held on 12 March 2009 approved the proposal of the Board of Directors to pay no dividend for the year 2008.

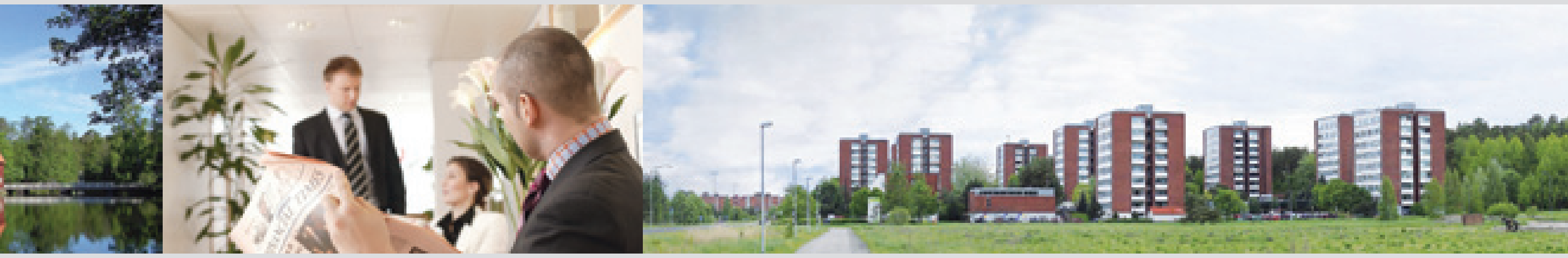
Tapio Korhonen, Eva Liljeblom, Mikko Pukkinen and Sisko Seppä continued on as members of the Board of Directors. Pekka Alanen, Liisa Linna-Angelvuo, Hannes Manninen, Markku Pohjola, Antti Rantakangas, Hanna Tainio and Pekka Timonen were elected as new members of the Board of Directors. The term of office for a member of the Board of Directors is two years, ending in 2011.

Municipality Finance's personnel and management

The number of personnel at Municipality Finance is 48. There are 42 members of staff at the parent company.

In accordance with the Articles of Association, the Board of Directors of the parent company has eleven members. The Board of Directors is (primary position outside the company shown in brackets):

- Markku Pohjola, Chairman (M.Sc. Economics, Helsinki)
- Sisko Seppä, Vice Chairman (Secretary General, Social Democratic Parliamentary Group)
- Pekka Alanen (Director, Local Government Pensions Institution)
- Tapio Korhonen (Finance Director, City of Helsinki)
- Eva Liljeblom (Professor, Hanken School of Economics, Helsinki)
- Liisa Linna-Angelvuo (Ministerial Counsellor, Ministry of the Environment)
- Hannes Manninen (Member of Parliament)
- Mikko Pukkinen (Mayor, City of Turku)
- Antti Rantakangas (Member of Parliament)



- Hanna Tainio (Medical Advisor, Pirkanmaa Hospital District)
- Pekka Timonen (Head of Department, Prime Minister's Office)

At its meeting on 30 April 2009, the Board of Directors elected Eva Liljeblom (Chairman), Pekka Alanen and Tapio Korhonen as members of the audit committee.

At its meeting on 30 April 2009, the Board of Directors elected Markku Pohjola (Chairman), Sisko Seppä and Pekka Timonen as members of the compensation committee.

The members of the parent company's Board of Management are:

- Pekka Averio, CEO
- Esa Kallio, Deputy to the CEO, Executive Vice President
- Toni Heikkilä, Director
- Marjo Tomminen, Director
- Jarkko Vuorenmaa, Director

The parent company's auditor is KPMG Oy Ab with Raija-Leena Hankonen (Chartered Accountant) as the principal auditor.

The CEO of Financial Advisory Services Inspira Ltd is Kimmo Lehto. The subsidiary's total number of personnel is 6.

The Board of Directors (primary position outside the company shown in brackets):

- Pekka Averio, Chairman (CEO, Municipality Finance Plc)
- Marjo Tomminen (Director, Municipality Finance Plc)
- Kimmo Lehto

Inpira's auditor is KPMG Oy Ab, with Riitta Pyykkö (Chartered Accountant) as the principal auditor.

Helsinki 27th August 2009
Municipality Finance Plc
Board of Directors

Further information:
Pekka Averio, CEO, mobile +358 500 406856
Esa Kallio, Executive Vice President, Deputy to CEO, mobile +358 50 3377953

MUNICIPALITY FINANCE GROUP

CONSOLIDATED BALANCE SHEET	Jun 30, 2009	Dec 31, 2008
ASSETS		
Liquid assets	37,596,690.54	18,054,938.76
Loans and advances to credit institutions	72,286,823.24	117,617,923.95
Loans and advances to the public and public sector entities	8,767,847,550.19	7,567,405,657.33
Debt securities	4,368,346,980.19	3,248,915,882.01
Shares and participations	27,219.06	27,219.06
Derivative contracts	501,814,358.98	1,406,820,165.96
Intangible assets	679,297.93	557,232.61
Tangible assets	1,382,735.80	1,322,600.91
Other assets	38,278.02	512,143.78
Accrued income and prepayments	151,623,370.33	139,201,972.33
Deferred tax assets	11,185,170.00	11,553,596.00
TOTAL ASSETS	**13,912,828,474.28**	**12,511,989,332.70**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	784,009,979.14	700,742,457.06
Liabilities to the public and public sector entities	767,673,177.68	683,387,887.36
Debt securities issued	10,980,348,520.53	9,951,406,053.63
Derivative contracts	819,847,555.44	654,777,972.71
Other liabilities	320,923.58	672,956.15
Accrued expenses and deferred income	368,121,233.40	376,035,947.54
Subordinated liabilities	88,292,573.03	85,671,793.09
Deferred tax liabilities	15,008,323.60	12,643,800.00
TOTAL LIABILITIES	**13,823,622,286.40**	**12,465,338 867.54**
EQUITY		
Share capital	42,583,195.49	42,583,195.49
Reserve fund	276,711.01	276,711.01
Fair value reserve	-31,834,714.18	-32,883,312.18
Reserve for invested non-restricted equity	33,052,038.00	0.00
Retained earnings	45,042,755.68	36,551,725.87
Total equity attributable to equity holders	**89,119,986.00**	**46,528,320.19**
Minority interest	**86,201.88**	**122,144.97**
TOTAL EQUITY	**89,206,187.88**	**46,650,465.16**
TOTAL LIABILITIES AND EQUITY	**13,912,828,474.28**	**12,511,989 332.70**

MUNICIPALITY FINANCE GROUP

CONSOLIDATED INCOME STATEMENT	Jan 1 - Jun 30, 2009	Jan 1 - Jun 30, 2008
Interest income	182,945,673.88	197,690,158.59
Interest expense	-157,327,052.83	-183,699,017.79
NET INTEREST INCOME	**25,618,621.05**	**13,991,140.80**
Commission income	707,969.90	537,148.46
Commission expense	-1,124,157.13	-968,457.34
Net income from securities and foreign exchange transactions	103,795.79	-5,059,553.13
Net income from available-for-sale financial assets	-2,065,444.18	485,953.43
Net income from hedge accounting	-5,914,273.01	910,054.93
Other operating income	54,850.52	12,170.49
Administrative expenses	-3,992,810.66	-2,730,384.84
Depreciation and impairment on tangible and intangible assets	-205,540.71	-181,879.15
Other operating expenses	-1,779,163.20	-1,144,002.45
NET OPERATING PROFIT	**11,403,848.37**	**5,852,191.20**
Income taxes	-2,881,261.65	-1,634,647.99
PROFIT FOR THE FINANCIAL PERIOD	**8,522,586.72**	**4,217,543.21**
Profit attributable to:		
Equity holders of the parent company	8,491,029.81	4,182,740.35
Minority interest	31,556.91	34,802.86
COMPREHENSIVE INCOME		
Available-for-sale financial assets (fair value reserve):		
Net change in fair value	886,962.00	-11,621,066.77
Net amount tranferred to p/l	66,610.00	51,602.57
IAS39 Reclassification	463,452.00	-2,914,920.00
Income tax relating to components of comprehensive income	-368,426.00	3,765,939,93
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9,571,184.72	-6,500,901.06
Total comprehensive income attributable to:		
Equity holders of the parent company	9,539,627.81	-6,535,703.92
Minority interest	31,556.91	34,802.86

MUNICIPALITY FINANCE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan 1 - Jun 30, 2009	Jan 1 - Jun 30, 2008
CASH FLOW FROM OPERATING ACTIVITIES	**1,013,384,146.05**	**218,358,530.56**
Profit for the financial period	8,522,586.72	5,852,191.20
Adjustments	6,005,831.61	5,787,491.40
Change in loans and advances to customers	-1,104,397,292.18	-452,607,468.75
Change in long term funding	2,241,441,880.10	754,426,444.77
Change in short term funding	-281,680,774.85	-166,024,232.75
Change in exchange rates, funding	143,491,914.65	70,924,104.69
CASH FLOW FROM INVESTING ACTIVITIES	**-1,117,933,585.30**	**-567,237,802.30**
Acquisition of tangible items	-78,107.05	-35,947.28
Acquisition of intangible items	-122,065.23	-58,115.92
Change in debt securities	-1,117,733,413.02	-567,243,739.10
Change in shares and participations	0.00	100,000.00
CASH FLOW FROM FINANCING ACTIVITIES	**33,407,808.80**	**37,366,835.40**
Change in capital loans	0.00	40,000,000.00
Dividends paid	-92,500.00	-2,633,164.60
Change in share capital	25,000.00	0.00
Change in reserve for invested non-restricted equity	33,475,308.80	0.00
NET INCREASE IN CASH FUNDS	**-71,141,630.45**	**-311,512,436.34**
CASH FUNDS AT JANUARY 1	**803,477,460.89**	**510,135,938.26**
CASH FUNDS AT JUNE 30	**732,335,830.44**	**198,623,501.92**

Cash funds include following balance sheet items:
Liquid assets, loans and advances to credit institutions and debt securities maturing within the next three months,

Adjustments include depreciation on tangible and intangible assets and the change in acrrued items,

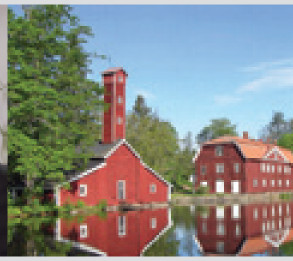
MUNICIPALITY FINANCE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital	**Reserve fund**	**Fair value reserve**	**Reserve for invested non-restricted equity**	**Retained earnings**	**Total**		
EQUITY AT DECEMBER 31, 2007	**42,583**	**277**	**-15,259**	**0**	**37,769**	**65,370**	**36**	**65,406**
Dividends paid for 2007					-2,633	-2,633	36	-2,633
Adjustment to previous years					-529	-529		-529
Total comprehensive income for the year			-17,625		1,945	-15,680	86	-15,594
EQUITY AT DECEMBER 31, 2008	**42,583**	**277**	**-32,884**	**0**	**36,552**	**46,528**	**122**	**46,650**
Share issue				33,052		33,052	25	33,077
Dividends paid for 2008						0	-93	-93
Total comprehensive income for the year			1,049		8,491	9,540	32	9,572
EQUITY AT JUNE 30, 2009	**42,583**	**277**	**-31,835**	**33,052**	**45,043**	**89,120**	**86**	**89,206**





NOTES TO FINANCIAL STATEMENTS

Note 1: Principles for preparing the financial accounts

The interim report has been prepared in accordance with the same International Financial Reporting Standards (IFRS) as the annual report of 31 December 2008. The accounting principles are described in the notes to the financial statements in the annual report of 31 December 2008.

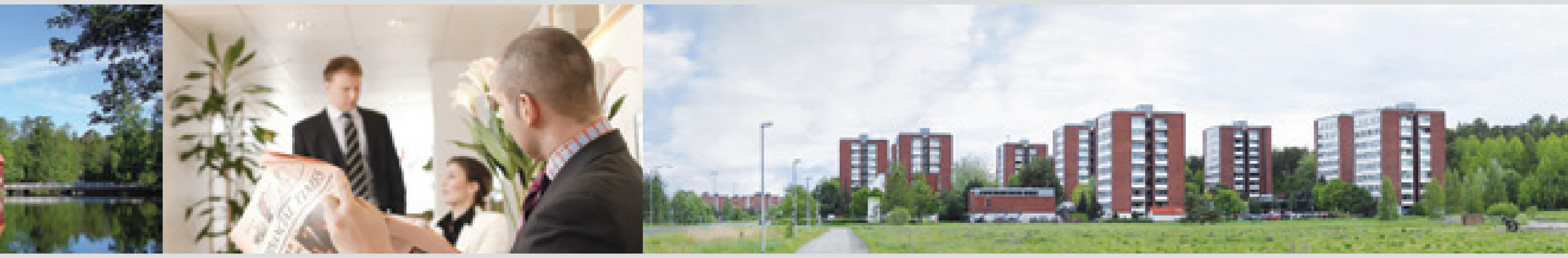
This interim report observes the EU-approved IAS 34 Standard on Interim Financial Reporting. In preparing the interim report, the revised standards IAS 1 (Presentation of Financial Statements) and IAS 32 (Financial Instruments: Presentation) have also been taken into consideration. Comparison figures have been prepared according to the same principles.

The figures in the notes to the financial statements are presented in thousands of euros.

This interim report has not been audited.

Note 2: Derivative contracts

Jun 30, 2009	**Nominal value of underlying instrument**	**Fair value Positive**	**Negative**
Contracts made for other than hedging purposes			
Interest rate derivatives			
Interest rate swaps	965,010	10,007	15,427
Currency derivatives			
Interest rate and currency swaps	100,256	338	437
Equity derivatives	1,345,083	117,456	117,456
Other derivatives	322,082	16,829	15,747
Total	**2,732,431**	**144,630**	**149,067**
Contracts made for hedging purposes			
Interest rate derivatives	8,742,936		199,868
Interest rate swaps		64,325	
Currency derivatives	9,081,215		470,913
Interest rate and currency swaps		292,859	
Total	**17,824,151**	**357,184**	**670,781**
All total	**20,556,582**	**501,814**	**819,848**



Dec 31, 2008	Nominal value of underlying instrument	Fair value Positive	Negative
Contracts made for other than hedging purposes			
Interest rate derivatives			
Interest rate swaps	1,664,305	12,449	17,392
Currency derivatives			
Interest rate and currency swaps	106,471	-	165
Equity derivatives	943,555	135,978	139,714
Other derivatives	301,586	9,722	8,172
Total	**3,015,917**	**158,149**	**165,443**
Contracts made for hedging purposes			
Interest rate derivatives			
Interest rate swaps	6,567,786	47,472	85,392
Currency derivatives			
Interest rate and currency swaps	7,341,101	1,201,199	403,943
Total	**13,908,887**	**1,248,671**	**489,335**
All total	**16,924,804**	**1,406,820**	**654,778**

Note 3: Contingent liabilities

Liabilities and collateral	Jun 30,2009	Dec 31,2008
Bonds pledged to the Municipal Guarantee Board	8,579,936	7,521,685
Debt securities pledged to the Municipal Guarantee Board	4,042,276	2,969,026
Total	12,622,212	10,490,711
Binding credit commitments	1,999,604	832,161

Note 4: Related parties

Salaries and fees for the management (EUR)	Jan 1 - Jun 30, 2009	Jan 1 - Jun 30, 2008
CEO	164,651	166,250
Executive Vice-President	120,036	119,930
Total	284,687	286,180

The members of the Board of Directors are paid an annual remuneration and meeting remuneration. The annual remuneration of the Chairman of the Board is EUR 15,000, that of the Vice Chairman EUR 12,000 and that of the other members EUR 10,000. The annual fee of the chairmen of the audit and rewarding committees is EUR 10,000. The fee per meeting is EUR 250.

Loan and other financial receivables from related parties of the credit institution:

Municipality Finance has no loan or other financial receivables or other liabilities from related parties under section 140(2) of the Credit Institutions Act.

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MUNICIPALITY FINANCE

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