MuniFin
MUNICIPALITY FINANCE

Interim Report 2013

CEO's Review

Competition in the supply of financing to the local government sector has continued to decrease substantially

In comparison to recent years, the first half of 2013 was relatively stable in the international financial markets. The measures initiated by the European Central Bank in late 2012 to stabilise the situation calmed the markets, particularly with respect to the European crisis countries. At the same time, there are signs emerging in Central Europe that suggest that the general economic situation is beginning to improve. However, there are still substantial differences between countries.

In Finland, the weakening of the general economic situation has resulted in increased uncertainty about the future. A decline in industrial orders and a slowing down of exports are serious signs that the economic trends in Finland continue to deteriorate and decisions aimed at promoting new growth are urgently needed.

Availability of funding for the Finnish state and local government sector in the first half of the year has not faced any problems, and the costs of funding remained competitive. Finland is the only country in the eurozone that has the highest possible rating of AAA (stable) from the major credit rating agencies. As Municipality Finance's credit rating is the same as that of the Finnish government, it continues to offer a safe harbour to investors around the world.

The funding requirements of Municipality Finance's customers remained largely unchanged from the previous year. Municipality Finance continues to be the most significant financier for its customers, with a market share of approximately 80 per cent. Total lending volume at the end of the period stood at EUR 16.8 billion, which is 7% higher than at the end of 2012 (31 December 2012: EUR 15.7 billion).

Our customers are facing a challenging situation. Extensive ongoing reforms in the local government sector are yet to be completed, which has an impact on the long-term development of municipalities and their investment decisions in particular. It is therefore very important that these reform projects are completed quickly. Local government investments are highly significant to the functioning of society as a whole, particularly in the healthcare and energy sectors, which are the two industries most affected by the ongoing reforms.

In local government financing, Municipality Finance's market share increased during the review period due to the very weak availability of long-term financing from commercial banks. Municipality Finance is practically the only operator that is currently able to provide the long-term financing required to meet its customers' investment needs. In addition, Municipality Finance was practically the only available source of funding for state-subsidised housing production in the first half of the year. The availability of short-term financing is much better, but the margins have increased substantially.

Municipality Finance was successful in its funding acquisition during the period under review. New funding acquired by the end of June stood at EUR 7.1 billion, compared to the full-year funding acquisition figure of EUR 6.6 billion for 2012. We estimate our funding requirement for the full year 2013 to be nearly EUR 10 billion. The majority of the growth is due to normal refinancing of maturing loans, and does not as such reflect an increase in local government sector funding requirements.

Municipality Finance continued to increase the diversification of its funding sources to ensure the availability and cost-effectiveness of funding. Our strategy is to diversify funding across different markets, maturities and to different investor groups. The more diverse the company's funding is, the better it can perform its basic function of ensuring financing for the Finnish local government sector under all circumstances.

The company's largest ever bond transaction was issued in April. The bond was issued under United States Rule 144A and was the first issue available to institutional investors in the United States. The transaction attracted a great deal of positive attention and its success exceeded all expectations. The biggest subscribers of the trade were central banks and official institutions, who represented almost two thirds of the total issue size.

During the review period EU's development of financial market regulation in response to the financial crisis also progressed. The European Parliament decided on reforms to the regulation of banks' capital requirements (known as the CRR and CRD IV package) based on the Basel III agreement, but postponed its decision on the implementation of a leverage ratio requirement, which is the most significant component of these new regulations to Municipality Finance.

The positive aspect of the European Parliament's decision is that the risk profile of a credit institution's operations is likely to have an effect on the leverage ratio requirement applied to it. The unfortunate aspect, however, is that we will now have to wait until 2017 for final confirmation of the minimum leverage ratio required of Municipality Finance. As a result, we must prepare for the strictest possible requirements and accumulate the required funds through our operations in the coming years.

To respond to these challenges, Municipality Finance strengthened its organisation in February 2013 by dividing its Financial Services department into two parts. The new Customer Finance department concentrates on customer funding, leasing and marketing and communications, while the new Capital Markets department focuses on funding acquisition, the management of the company's pre-funding investment portfolio and the treasury function. The change will allow us to continue to respond effectively to the challenges presented by our strong growth. It will also support our development both in terms of our work with customers and in the international capital markets.

Helsinki 9 August 2013

Pekka Averio
President and CEO

Interim report 1 January – 30 June 2013

The first half of 2013 in brief

- The Group's net operating profit for the period was EUR 80.7 million (1 January – 30 June 2012: EUR 63.7 million). This represents a 27% increase on the previous year.
- Net interest income grew by 16% compared to the previous year, reaching EUR 78.6 million (1 January – 30 June 2012: EUR 67.9 million).
- The balance sheet total was EUR 25,533 million (31 December 2012: EUR 25,560 million).
- The Group's risk-bearing capacity remained very strong, with capital adequacy at 35.73% at the end of June (31 December 2012: 33.87%) and the capital adequacy ratio for Tier 1 capital at 31.09% (31 December 2012: 26.22%).
- Total funding acquisition in January–June amounted to EUR 7,133 million (1 January – 30 June 2012: EUR 4,930 million). The total amount of funding grew to EUR 22,885 million (31 December 2012: EUR 22,036 million).
- The lending portfolio increased to EUR 16,839 million (31 December 2012: EUR 15,700 million). The amount of loans withdrawn increased by 17% compared to the corresponding period last year, to EUR 1,858 million (1 January – 30 June 2012: EUR 1,582 million).
- The company has focused on the development of financial leasing operations that started in 2010. The leasing portfolio stood at EUR 68 million at the end of June (31 December 2012: EUR 64 million).
- At the end of June, investments in securities totalled EUR 5,740 million (31 December 2012: EUR 5,895 million).
- The turnover of Municipality Finance's subsidiary Inspira was EUR 0.8 million (1 January – 30 June 2012: EUR 0.9 million). Inspira's net operating profit at the end of June was EUR 0.0 million (1 January – 30 June 2012: EUR 0.1 million).

Key figures (Group)

	30 Jun 2013	30 Jun 2012	31 Dec 2012
Net interest income (EUR million)	78.6	67.9	142.4
Net operating profit (EUR million)	80.7	63.7	138.6
New loans issued (EUR million)	1,858	1,582	3,254
New funding acquisition (EUR million)	7,133	4,930	6,590
Balance sheet total (EUR million)	25,533	27,141	25,560
Own funds (EUR million)	450.8	354.0	428.9
Capital adequacy ratio of Tier 1 capital, %	31.09	21.66	26.22
Capital adequacy ratio, %	35.73	27.85	33.87
Return on equity (ROE)	32.34	40.45	38.04
Cost-to-income ratio	0.13	0.15	0.14

The calculation formulae for the key figures are given on page 13.
Except where otherwise noted, the figures presented in this interim report are consolidated figures.

This is a translation of the original Finnish interim report "Osavuosikatsaus 1.1.-30.6.2013". Should there be any discrepancies between this translation and the Finnish original, the latter shall prevail.

Credit ratings

Municipality Finance's credit ratings

The credit ratings of the company's long-term funding are the best possible:

Rating agency	Long-term funding	Outlook	Short-term funding	Outlook
Moody's Investors Service	Aaa	Stable	P-1	Stable
Standard & Poor's	AAA	Stable	A-1+	Stable

In January 2013, Standard & Poor's confirmed Municipality Finance's AAA credit rating and, at the same time, changed the outlook from negative to stable.

The Municipal Guarantee Board's credit ratings

The Municipal Guarantee Board guaranteeing the company's funding has the best possible credit ratings for long-term funding:

Rating agency	Long-term funding	Outlook	Short-term funding	Outlook
Moody's Investors Service	Aaa	Stable	P-1	Stable
Standard & Poor's	AAA	Stable	A-1+	Stable

In January 2013, Standard & Poor's confirmed the Municipal Guarantee Board's AAA credit rating and, at the same time, changed the outlook from negative to stable.

Development of business operations

Group structure

The Municipality Finance Group (hereinafter "the Group") consists of Municipality Finance Plc (hereinafter "Municipality Finance" or "the Company") and Financial Advisory Services Inspira Ltd (hereinafter "Inspira").

The role of Municipality Finance is to offer market-based financing to municipalities, municipal federations, municipality-controlled entities and non-profit corporations nominated by the Housing Finance and Development Centre of Finland (ARA) by acquiring funding from capital markets at competitive costs.

Inspira offers expert financial services to the public sector. Its services include the analysis and arrangement of various forms of financing for public sector investments. In addition, Inspira offers its services for different public sector ownership arrangements by planning the services, making value assessments and assisting in contract negotiations. Inspira helps the public sector to arrange its services more effectively and invest more economically.

Net operating result and balance sheet

Considering the challenges of the international operating environment, the Group's net operating profit was good. Business continued to grow and the net operating profit for the first half of 2013 before appropriations and taxes stood at EUR 80.7 million (1 January – 30 June 2012: EUR 63.7 million). The Group's net interest income in the first half of 2013 increased by 16% on the previous year, reaching EUR 78.6 million at the end of June 2013 (1 January – 30 June 2012: EUR 67.9 million). Income from the repurchase of own bonds, totalling 9,5 million, is recognised in net interest income (1 January - 30 June 2012: EUR 6.1 million). Net interest income includes EUR 14.2 million in unrealised fair value changes (1 January – 30 June 2012: EUR 7.2 million).

In the first half of the year, the net operating profit of Municipality Finance's subsidiary Inspira was EUR 0.0 million (1 January – 30 June 2012: EUR 0.1 million).

The Group's commission expenses totalled EUR 2.1 million at the end of June 2013 (1 January – 30 June 2012: EUR 1.6 million). The Group's operating expenses grew by 10% in the first six months of the year, reaching EUR 10.4 million (1 January – 30 June 2012: EUR 9.5 million). The increase in expenses was primarily the result of growth in personnel requirements due to the increase in business volume and changes in the company's operating environment, as well as currently ongoing system development projects. Administrative expenses for the period were EUR 7.2 million (1 January – 30 June 2012: EUR 6.5 million), of which personnel expenses were EUR 5.0 million (1 January – 30 June 2012: EUR 4.5 million). Depreciation of tangible and intangible assets amounted to EUR 0.6 million (1 January – 30 June 2012: EUR 0.5 million). Other operating expenses were EUR 2.6 million (1 January – 30 June 2012: EUR 2.4 million). The net income also includes a reversal of impairment losses on other financial assets of EUR 0.1 million (1 January – 30 June 2012: EUR - million).

The consolidated balance sheet total amounted to EUR 25,533 million at the end of June 2013 (31 December 2012: EUR 25,560 million).

Capital adequacy

The Group calculates its capital adequacy based on the Basel II regulations. The capital adequacy requirement for credit risk is calculated using Pillar I and the standard method, and the capital adequacy requirement for operative risks 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 the capital adequacy calculations for market risk. As the company hedges against currency risks by using derivative contracts to translate all foreign currency denominated funding into euros, the company's currency position is very small and it is not necessary to reserve capital for the currency risk. The credit ratings given by Standard & Poor's, Moody's Investor Service and Fitch Ratings are used for determining the risk factors used in the capital adequacy calculations. The aforementioned companies are credit rating institutions approved by the Finnish Financial Supervisory Authority for capital adequacy calculations. For capital adequacy calculations of credit risk, Municipality Finance uses methods to reduce credit risk, for lending guarantees provided by municipalities as well as deficiency guarantees given by the state of Finland are used. For derivatives, netting agreements, additional collateral agreements (ISDA/Credit Support Annex) and guarantees granted by the Municipal Guarantee Board are used for reducing the capital adequacy requirement related to the counterparty risk of derivative counterparties.

Municipality Finance Group's own funds totalled EUR 450.8 million at the end of June 2013 (31 December 2012: EUR 428.9 million). Tier 1 capital stood at EUR 392.3 million at the end of June 2013 (31 December 2012: EUR 331.9 million). Tier 1 capital includes the net profit for the period of 1 January – 30 June 2013, EUR 60.9 million, as the financial result for the period has been subject to review by the auditors and can therefore be included in the company's own funds under the Act on Credit Institutions. Tier 1 capital at the end of June 2013 does not include a provision for dividend distribution. According to the decision of the Annual General Meeting, the Board of Directors evaluates the dividend to be distributed annually and makes a dividend distribution proposal to the Annual General Meeting based on the company's financial position and applicable regulation, also taking the company's ownership structure into consideration. Tier 2 capital at the end of the review period totalled EUR 58.4 million (31 December 2012: EUR 96.9 million).

Municipality Finance repaid the "Upper Tier II loan 1/2008" bond of EUR 40 million on 31 March 2013 with the permission of the Finnish Financial Supervisory Authority. In the 2012 financial statements, the loan is still fully included in own funds and capital adequacy.

Consolidated own funds

Group, (EUR 1,000)	30 Jun 2013	31 Dec 2012
Share capital	42,583	42,583
Minority interest	53	168
Reserve fund	277	277
Reserve for invested non-restricted equity	40,366	40,366
Retained profit	239,944	135,434
Profit for the financial year	60,886	104,510
Provision for dividend distribution	0	0
Capital loans	11,009	11,009
Intangible assets	-2,843	-2,399
TOTAL TIER 1 CAPITAL	**392,275**	**331,948**
Fair value reserve	23,475	21,927
Subordinated liabilities included in upper Tier 2 capital	0	40,000
Subordinated liabilities included in lower Tier 2 capital	35,000	35,000
TOTAL TIER 2 CAPITAL	**58,475**	**96,927**
TOTAL OWN FUNDS	**450,750**	**428,875**

The Group's capital adequacy ratio has developed positively, reaching 35.73% at the end of June 2013, compared to 33.87% at the end of 2012. The capital adequacy ratio for Tier 1 capital was 31.09% (31 December 2012: 26.22%).

The minimum requirement for own funds, corresponding to the minimum capital adequacy ratio of 8% pursuant to the Act on Credit Institutions, was EUR 100.9 million (31 December 2012: EUR 101.3 million). The capital adequacy ratio for credit risk tied up the largest amount of the Group's own funds at EUR 85.3 million (31 December 2012: EUR 91.0 million), the most significant items being claims from credit institutions and investment firms as well as securitised items.

Risk-weighted receivables, Group

(EUR 1,000)	30 Jun 2013	31 Dec 2012
Credit risk, standard method	**1,066,476**	**1,137,809**
Total minimum requirement for own funds		
Credit risk, standard method		
Claims on credit institutions and investment firms	36,622	45,549
Covered bonds	15,016	13,528
Securitised items	29,689	28,755
Shares in investment funds	116	105
Other items	3,875	3,087
Total credit risk, standard method	85,318	91,024
Market risk	0	0
Operational risk, basic method	15,609	10,270
TOTAL MINIMUM REQUIREMENT FOR OWN FUNDS	**100,927**	**101,294**
Capital adequacy ratio, Tier 1 capital, %	31.09%	26.22%
CAPITAL ADEQUACY RATIO, %	**35.73%**	**33.87%**

Funding

Municipality Finance's funding is based on diversification in the major capital markets as well as reliability, speed and flexibility. The majority of funding is carried out as standardised issues under debt programmes. Municipality Finance uses the following debt programmes:

Euro Medium Term Note (EMTN) programme	EUR 22,000 million
Domestic debt programme	EUR 800 million
Treasury Bill programme	EUR 3,000 million
AUD debt programme (Kangaroo)	AUD 2,000 million

Municipality Finance's funding is guaranteed by the Municipal Guarantee Board, which has the same credit ratings from Moody's and Standard & Poor's as Municipality Finance. The Municipal Guarantee Board has granted guarantees for the debt programmes and funding arrangements outside the programmes; as a result, debt instruments issued by Municipality Finance are classified as zero-risk when calculating the capital adequacy of credit institutions in Finland and several other European countries.

In January–June, EUR 7,133 million was acquired in long-term funding (1 January – 30 June 2012: EUR 4,930 million). No Municipal Bonds were issued under the domestic debt programme in the first half of 2013 (1 January – 30 June 2012: EUR 5.5 million). The company issued bonds denominated in 14 different currencies in the first half of 2013. A total of EUR 4,649 million was issued in short-term debt instruments under the Treasury Bill programme in January–June (1 January – 30 June 2012: EUR 1,965 million). Total funding at the end of June 2013 amounted to EUR 22,885 million (31 December 2012: EUR 22,036 million). Of this total amount, 16% was denominated in euros (31 December 2012: 16%) and 84% in foreign currencies (31 December 2012: 84%).

Municipality Finance is an active participant in the international bond markets and acquires the majority of its funding from international capital markets. A total of 160 funding arrangements were made in January–June (1 January – 30 June 2012: 109). During the first half of the year, the emphasis of funding acquisition was on the public markets, which accounted for 45% of the funding acquired during the period. In January 2013, Municipality Finance launched its largest ever Sterling benchmark issue, worth GBP 400 million. In April, Municipality Finance also carried out its inaugural bond issue in the United States capital market under the rule 144A, issuing a benchmark of USD 1.75 billion. These funding arrangements helped Municipality Finance to increase the diversification of its funding sources. Both benchmark issues were successful despite the challenging market conditions, allowing Municipality Finance to further expand its investor base.

The first half of 2013 was characterised by continued restlessness on the markets. As the European crisis continued, investors sought safe harbours for their assets. Supported by the stability and solid reputation of the Finnish local government sector, Municipality Finance was seen as a safe alternative by investors. Active work among investors has increased the company's reputation in various markets, and diversifying the sources of funding has proven to be a good strategy in volatile market conditions. Despite the challenges, the company has managed to keep funding costs at a competitive level.

Customer Financing

Municipality Finance's customers consist of municipalities, municipal federations, municipality-controlled entities and non-profit corporations nominated by the Housing Finance and Development Centre of Finland (ARA). Over the years, the company has increased its importance as a financier to its customers and is the largest single operator in its customer segment by far.

Long-term lending

In the first half of 2013, investments by municipalities and municipal federations and the resulting financing requirements of the municipal sector remained at the previous year's level. The increase in housing loans was higher than anticipated at the end of last year. This increase in the demand for housing financing is largely due to customers looking to refinance their old state-subsidised housing loans with new market-based loans.

The total volume of tender requests received by Municipality Finance in January–June was EUR 2,868 million (1 January – 30 June 2012: EUR 2,274 million). The total amount of new loans withdrawn in the first half of 2013 was slightly higher than in the same period last year at EUR 1,858 million (1 January – 30 June 2012: EUR 1,582 million). At the end of June 2013, Municipality Finance's lending portfolio stood at EUR 16,839 million (31 December 2012: EUR 15,700 million). This corresponds to a 7% increase in the loan portfolio from year's end.

Municipality Finance's market share has remained high. Due to the debt situation in European countries and uncertainty in the financial sector caused by the new bank regulations, the competitive situation is not expected to change significantly in the short term.

In addition to loans, Municipality Finance offers municipalities, municipal federations and municipal enterprises derivative contracts tailored to their needs for the management of interest rate risk. Demand for derivative products was high in the first half of 2013. As interest rates remained low, customers increased their hedging against future increases in market rates.

Leasing operations

Municipality Finance offers financial leasing services to municipalities, municipal federations and municipally-owned corporations. The leasing services were launched in 2010.

The aim of Municipality Finance's leasing operations is to increase transparency and the range of alternatives available in the leasing market. The company has signed a number of facility agreements for leasing services and the prospects for expanding leasing operations are good, as financial leasing is seen as a viable alternative for procurement particularly by municipal corporations engaging in municipal operations and hospital districts.

Short-term lending

Municipalities and municipal federations issue municipal commercial papers to cover their short-term financing needs. Companies under the control of municipalities and municipal federations issue municipal company commercial papers.

As interest rates remained low, customers continued to actively use short-term financing. At the end of June 2013, the total value of municipal commercial paper programmes and municipal company commercial paper programmes concluded with Municipality Finance was EUR 3,185 million (31 December 2012: EUR 3,054 million). At the end of the reporting period, the company had EUR 777 million in municipal commercial papers and municipal company commercial papers in its balance sheet (31 December 2012: EUR 753 million). During the first six months of the year, customers acquired financing through short-term programmes totalling EUR 4,561 million (1 January – 30 June 2012: EUR 4,458 million).

Investment operations

Municipality Finance's investment operations comprise the investment of acquired funding in liquid financial instruments with a good credit rating in order to ensure that the company can remain operational under all market conditions. According to the company's liquidity policy, the investment portfolio must be sufficient to cover the liquidity needs of continued undisturbed operations for at least the following six months. The company invests cash collateral received on the basis of derivative collateral agreements in short-term money market investments. In addition, the company has other investments that are not included in liquidity.

At the end of June 2013, investments in securities totalled EUR 5,740 million (31 December 2012: EUR 5,895 million) and the average credit rating of all investments was AA+ (31 December 2012: AA). The average repayment period of the portfolio stood at 3.63 years (31 December 2012: 2.97 years). In addition, other investments totalled EUR 191 million (31 December 2012: EUR 329 million), of which central bank deposits accounted for EUR 142 million (31 December 2012: EUR 228 million), money market deposits in credit institutions for EUR 49 million (31 December 2012: EUR 51 million) and repurchase agreements for EUR 0.0 million (31 December 2012: EUR 50 million).

Liquidity remained good during the review period. New investments are mainly made in covered bonds and bonds issued by states and public sector entities.

The company has no investments in bonds issued by Southern European states or other significant investments in the said region.

Inspira

Inspira's turnover in January–June was EUR 0.8 million (1 January – 30 June 2012: EUR 0.9 million). The net operating profit for the first half of the year was EUR 0.0 million (1 January – 30 June 2012: EUR 0.1 million).

Turnover comprised a wide range of assignments related to funding arrangements for public sector investments as well as various ownership arrangements in the local government sector.

Governance

Corporate Governance Policy

The Board has approved the Company's Corporate Governance guidelines in compliance, where applicable, with the Finnish Securities Market Association Corporate Governance Code for listed companies in Finland. As Municipality Finance is solely an issuer of bonds and its shares are not subject to public trading, applying the Corporate Governance Code for Finnish listed companies in its entirety is not appropriate. Nevertheless, the company has decided to use the Corporate Governance Code as the basis for preparing its own Corporate Governance Policy. In addition to the Corporate Governance Code for Finnish listed companies, the Corporate Governance Policy of Municipality Finance has been prepared in compliance with Finnish Financial Supervisory Authority standard 1.3 on "Internal Governance and Organisation of Activities".

The Board is responsible for ensuring that Municipality Finance complies with the Corporate Governance rules and is committed to developing them in accordance with applicable legislation and market practices.

Municipality Finance's Corporate Governance Policy is available in Finnish, English and Swedish on the company's website at www.munifin.fi.

Annual General Meeting

The Annual General Meeting of Municipality Finance was held on 26 March 2013. The Annual General Meeting confirmed the financial statements for 2012 and discharged the members of the Board of Directors, the CEO and the Deputy CEO from liability for the financial year 2012. In addition, the Annual General Meeting adopted the proposal of the Board of Directors not to distribute a dividend and to retain the distributable funds of EUR 21,641,120.68 in equity.

Based on the proposal of the Shareholders' Nomination Committee, the Annual General Meeting decided that the Board of Directors shall have seven members during the 2013-2014 term of office, instead of eight members as previously, and elected the members of the Board of Directors. The Annual General Meeting also adopted the proposal of the Shareholders' Nomination Committee on the remuneration of Board members.

The meeting also elected KPMG Oy Ab as the auditor of the company, with APA Marcus Tötterman acting as the principal auditor.

Board of Directors

At the Annual General Meeting of 26 March 2013, the Shareholders' Nomination Committee made a proposal on the members to be elected to the Board of Directors for the term beginning at the end of the Annual General Meeting of 2013 and concluding at the end of the following Annual General Meeting. The Annual General Meeting elected the following members to the Board of Directors:

Eva Liljeblom, Chairman of the Board, on the Board of Directors since 2003

- Education: D.Sc. (Econ)
- Year of birth: 1958
- Primary occupation: Rector, Professor, Hanken School of Economics in Helsinki
- Independence: independent of the company and its significant shareholders

Fredrik Forssell, Vice Chairman, on the Board of Directors since 2011

- Education: M.Sc. (Econ)
- Year of birth: 1968
- Primary occupation: CIO, Internal equity & FI Management, Keva
- Independence: independent of the company

Teppo Koivisto, on the Board of Directors since 2011

- Education: M.A. (Pol. Sci.)
- Year of birth: 1966
- Primary occupation: Head of Division, State Treasury
- Independence: independent of the company

Sirpa Louhevirta, on the Board of Directors since 2011

- Education: M.Sc. (Econ)
- Year of birth: 1964
- Primary occupation: Group Treasurer, Sanoma Oyj
- Independence: independent of the company and its significant shareholders

Tuula Saxholm, on the Board of Directors since 2013

- Education: M.Sc. (Econ)
- Year of birth: 1961
- Primary occupation: Budget Director, City of Helsinki
- Independence: independent of the company

Asta Tolonen, on the Board of Directors since 2011

- Education: M.Sc. (Econ)
- Year of birth: 1960
- Primary occupation: Municipal Manager, Suomussalmi municipality
- Independence: independent of the company and its significant shareholders

Juha Yli-Rajala, on the Board of Directors since 2011

- Education: M.A. (Adm.Sci)
- Year of birth: 1964
- Primary occupation: Group Director, City of Tampere
- Independence: independent of the company and its significant shareholders

In order to organise its work as efficiently as possible, the Board of Municipality Finance has established an Audit Committee and a Remuneration Committee for the preparation of matters. The members of the Audit Committee are Fredrik Forssell (Chairman), Sirpa Louhevirta, Tuula Saxholm and Asta Tolonen. The members of the Remuneration Committee are Eva Liljeblom (Chairman), Teppo Koivisto and Juha Yli-Rajala.

The work of the Board of Directors and its committees is described in more detail in the company's Corporate Governance Policy, which is available online at www.munifin.fi.

Personnel

At the end of June 2013, Municipality Finance Group had 82 employees (31 December 2012: 72), of whom 70 were staff of the parent company (31 December 2012: 61). The President and CEO of Municipality Finance is Pekka Averio. Executive Vice President Esa Kallio acts as deputy to the CEO. In addition, the Board of Management of Municipality Finance includes Senior Vice President Toni Heikkilä, Senior Vice President Jukka Helminen, Senior Vice President Marjo Tomminen and Senior Vice President Mari Tyster. Senior Vice President Jukka Helminen was appointed as a member of the Board of Management effective 25 February 2013.

The CEO of Municipality Finance's subsidiary Inspira is Kimmo Lehto.

Internal audit

Internal auditing work has been outsourced to Deloitte & Touche Oy. The company's Legal Affairs and Compliance department is responsible for the coordination of the outsourced auditing. Internal auditing tasks include monitoring the reliability and correctness of Municipality Finance's financial and other management information. The tasks also include making sure that the company has adequate and properly organised manual and IT systems for its operations and that the risks associated with the operations are being managed adequately. The internal audit reports to the Board of Directors and its Audit Committee.

Risk management

Municipality Finance's operations require sufficient risk management mechanisms to ensure that the Company's risk position remains within the limits confirmed by the Board of Directors. Municipality Finance applies very conservative principles to its risk management. The aim is to keep the overall risk status at such a low level that the company's strong credit rating (Aaa/AAA) is not compromised.

Municipality Finance's general principles, limits and measurement methods used in risk management are determined by the Board of Directors. The purpose of risk management is to ensure that the risks associated with lending, funding acquisition, investment and other business operations remain in line with Municipality Finance's low risk profile. The risk position and limit usage are reported to the Board of Management and Board of Directors on a regular basis.

There were no material changes in the company's risk position during the review period.

Strategic risks

Strategic risk means that the company would have chosen the wrong strategy for financially profitable operations or that the company would fail to adapt the chosen strategy to changes in the operating environment. The Group's management of strategic risks is based on continuous monitoring and analyses of the clients' needs, forecasts of market trends, and changes in the competition and the operating environment. Risks and their significance are assessed annually when the business plan is drawn up. The Group's existing strategy extends to 2018.

Credit risk

Credit risk means the risk of a counterparty defaulting on its commitments to the company. Municipality Finance may only grant loans and leasing financing without a separate security directly to a municipality or municipal federation. 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. A primary pledge is required when the loan is given a deficiency guarantee by a municipality or a state. The amount of the primary pledge must equal 1.2 times the amount of the loan. Because such a security is required to reduce the credit risk, all loans granted are classified as zero-risk when calculating capital adequacy. The company does not bear the residual value risk for its leased assets. Municipality Finance has not had any non-performing assets during its operations or credit losses in the financing of its customers.

Municipality Finance is also exposed to credit risk from its pre-funding investment portfolio and derivative instruments. In the assessment of credit risks, principles and limits that are based on external credit ratings and have been approved by the Board of Directors are applied to the selection of counterparties. Nominal values of debt securities and market values of derivatives (fair value method) are used in monitoring credit risk. Municipality Finance limits credit risk caused by derivative agreements with ISDA Credit Support Annexes in the case of major derivatives counterparties. The company has 42 Credit Support Annexes in force. Additionally, the Municipal Guarantee Board's guarantees are used for reducing the counterparty risks related to the derivative contracts of certain counterparties.

Market risk

Market risk means the risk of the company incurring a loss as a result of an unfavourable change in market prices or market price volatility. Market risks include interest rate, exchange rate, share prices and other price risks.

Municipality Finance uses derivative agreements to hedge against interest rate risks arising from business operations. The company hedges against exchange rate risks by using derivative contracts to swap all foreign currency denominated funding into euros. Derivative contracts are also used to hedge against other price risks. Derivatives may only be used for hedging purposes.

The Board of Directors of Municipality Finance has specified limits for currency position risk, interest rate risk based on duration and Economic Value, income risk and Value-at-Risk. In addition to these market risk parameters, management receives monthly reports on the interest rate sensitivity analysis and the calculation of changes in the parent company's balance sheet market value.

Liquidity risk

Liquidity risk means the risk of the company not being able to perform its payment obligations arising from settlement of financing agreements or other financing activities on their due date. The Board of Directors of Municipality Finance has set the following limits on liquidity risks:

- refinancing gap
- sufficiency of liquid assets measured as a minimum of time

As back-up liquidity, Municipality Finance has access to a total of EUR 40 million in the form of back-up facility arrangements from other banks.

Market liquidity risk

Market liquidity risk means that the company would fail to realise or cover its position at the market price, because the market lacks depth or is not functioning due to disruption.

The company monitors the liquidity of markets and products on a continuous basis. In addition, established market standards are observed when derivative contracts are concluded. The market values of almost all debt securities valued at fair value are calculated based on quotations received from the market. For the remaining debt securities, the market value is calculated using other market information.

The company has been approved as a counterparty of financial policy of the Bank of Finland.

Operational risks

Operational risk means the risk of loss due to insufficient or failed internal processes, personnel, systems or external factors. Operational risks also include risks arising from failure to comply with internal and external regulation (compliance risk), legal risks and reputational risk. Operational risks may result in expenses, payable compensation, loss of reputation, false information on position, risk and results or the interruption of operations.

Operational risks are recognised as part of the company's operations and processes. This has been implemented with an annual mapping of operational risk at a unit and company-specific level. The management of operational risks is the responsibility of each function/department. In addition risk management supports the other functions/departments and coordinates the management of operational risks.

Municipality Finance uses various methods for managing operational risks. The company has internal operational guidelines that are updated regularly and monitored for compliance. Key duties and processes have been charted and described. Internal instructions and processes are revised on a regular basis. The tasks of trading, risk control, back office functions, documentation and accounting are segregated. The company has adequate substitution systems to ensure the continuity of key functions. The expertise of the personnel is maintained and improved through regular development discussions and training plans. Municipality Finance maintains adequate insurance cover and assesses the level of insurance cover on a regular basis. Municipality Finance has a contingency plan for situations in which business operations are interrupted. The plan is designed to help the company to continue functioning and limit its losses in different disruptive scenarios. The annual mapping of operational risks and the risk reporting process for operational risk events feed into the company's continuity planning.

Municipality Finance's compliance function continuously monitors the development of legislation and regulations issued by authorities and relevant to the company's operations and ensures that any regulatory changes are appropriately responded to. The legislation and regulation governing credit institutions is facing significant changes, which creates challenges for the company's compliance operations. The company has tried to minimise the risks related to this by means of active contact with the authorities as well as arrangements of the company's internal compliance operations (incl. reporting and evaluation of effects).

The company currently has significant ongoing information system projects aimed at improving the efficiency of operations. The extent of these projects causes operational risks that the company strives to minimise by developing and implementing models related to project management and monitoring (incl. regular reporting).

The realisation of operational risks is monitored with systematic operational risk reporting, which is used to change operating principles or implement other measures to reduce operational risks where necessary. The Board of Management and the Board of Directors are kept up to date on the operational risk reports. No material losses were incurred as a result of operational risks during the period under review.

Prospects for the second half of 2013

The general economic situation is expected to remain muted and weaken further. Despite the weaker general economic outlook, Municipality Finance does not expect substantial changes in its operating environment, or that of its customers, in the second half of 2013. From the perspective of the company's business, the market situation is stable and the company is able to continue its primary duty of ensuring competitive financing for its customers under all circumstances.

Municipality Finance is a financing partner of its customer-owners and the company is a key part of the basic economic structure of Finnish society. The company continues to develop its operations as required by the changing needs of its customers. The company strives to anticipate changes in its customer base and to adapt to these changes through the long-term development of its operations.

The Group's profitability throughout 2013 is expected to remain at the strong level seen last year.

Helsinki 9 August 2013

Municipality Finance Plc
Board of Directors

Further information:
Pekka Averio, President and CEO,
tel. +358 500 406 856

Esa Kallio, Executive Vice President, Deputy to CEO,
tel. +358 50 337 7953

Marjo Tomminen, Senior Vice President, CFO,
tel. +358 50 386 1764

The Group's development

	30 Jun 2013	30 Jun 2012	31 Dec 2012
Turnover (EUR million)	99.7	172.8	292.5
Net interest income (EUR million)	78.6	67.9	142.4
as percentage of turnover	78.84	39.27	48.68
Net operating profit (EUR million)	80.7	63.7	138.6
as percentage of turnover	80.88	36.85	47.38
Cost-to-income ratio	0.13	0.15	0.14
Lending portfolio (EUR million)	16,839	14,680	15,700
Funding portfolio (EUR million)	22,885	22,820	22,036
Balance sheet total (EUR million)	25,533	27,141	25,560
Return on equity, % (ROE)	32.34	40.45	38.04
Return on assets, % (ROA)	0.48	0.38	0.42
Equity ratio, %	1.60	1.00	1.35
Own funds (EUR million)	450.8	354.0	428.9
Capital adequacy ratio for Tier 1 capital, %	31.09	21.66	26.22
Capital adequacy ratio, %	35.73	27.85	33.87

Calculation of key figures

Turnover

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

Cost-to-income ratio

$$\frac{\text{Commission expenses + administrative expenses + depreciations + other operating expenses}}{\text{Net interest income + commission income + net income from securities and foreign exchange transactions + net income from available-for-sale financial assets + net income from hedge accounting + other operating income}} \times 100$$

Return on equity (%) (ROE)

$$\frac{\text{Net operating profit - taxes}}{\text{Equity and non-controlling interest (average of values at the beginning and end of the reporting period)}} \times 100$$

Return on assets (%) (ROA)

$$\frac{\text{Net operating profit - taxes}}{\text{Average balance sheet total (average of values at the beginning and end of the reporting period)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Equity and non-controlling interest + appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

Capital adequacy ratio, Tier 1 capital (%)

$$\frac{\text{Tier 1 capital total}}{\text{Minimum requirement of own funds total}} \times 8$$

Capital adequacy ratio (%)

$$\frac{\text{Own funds total}}{\text{Minimum requirement of own funds total}} \times 8$$

Consolidated Statement of Financial Position

Group, EUR	30 Jun 2013	31 Dec 2012
ASSETS		
Cash & cash equivalents	142,246,010.11	228,187,577.63
Loans and advances to credit institutions	345,019,321.91	106,827,960.79
Loans and advances to the public and public sector entities	16,907,399,195.03	15,764,231,632.51
Debt securities	6,506,965,766.56	6,637,830,750.68
Shares and participations	10,022,824.35	10,035,087.37
Derivative contracts	1,395,833,646.48	2,551,682,689.75
Intangible assets	2,842,745.44	2,399,027.80
Tangible assets	2,348,236.34	2,341,475.06
Other assets	2,405,057.43	2,410,053.48
Accrued income and prepayments	218,051,073.30	254,213,722.25
Deferred tax assets	30,624.96	0.00
TOTAL ASSETS	**25,533,164,501.91**	**25,560,159,977.32**
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities to credit institutions	2,927,042,489.61	3,961,730,190.03
Liabilities to the public and public sector entities	960,372,732.90	1,049,476,634.38
Debt securities issued	19,848,028,002.85	18,798,374,704.55
Derivative contracts	997,009,999.46	937,983,299.37
Other liabilities	1,041,003.00	1,306,287.44
Accrued expenses and deferred income	244,682,638.92	297,999,204.21
Subordinated liabilities	49,466,856.06	90,354,746.57
Deferred tax liabilities	97,936,876.21	77,670,361.00
TOTAL LIABILITIES	**25,125,580,599.01**	**25,214,895,427.55**
EQUITY AND NON-CONTROLLING INTEREST		
Share capital	42,583,195.49	42,583,195.49
Reserve fund	276,711.01	276,711.01
Fair value reserve	23,474,841.63	21,926,619.09
Reserve for invested non-restricted equity	40,366,099.60	40,366,099.60
Retained earnings	300,830,359.23	239,943,960.64
Total equity attributable to parent company equity holders	**407,531,206.96**	**345,096,585.83**
Non-controlling interest	**52,695.94**	**167,963.94**
TOTAL EQUITY AND NON-CONTROLLING INTEREST	**407,583,902.90**	**345,264,549.77**
TOTAL LIABILITIES AND EQUITY	**25,533,164,501.91**	**25,560,159,977.32**

Consolidated Income Statement

Group, EUR	1 Jan – 30 Jun 2013	1 Jan – 30 Jun 2012
Interest income	85,225,050.86	165,932,626.72
Interest expense	-6,604,248.67	-98,081,041.13
NET INTEREST INCOME	**78,620,802.19**	**67,851,585.59**
Commission income	1,036,395.05	926,679.69
Commission expense	-2,103,627.80	-1,582,941.04
Net income from securities and foreign exchange transactions	7,568,356.12	3,229,487.71
Net income from available-for-sale financial assets	-905,100.09	-529,140.03
Net income from hedge accounting	6,793,101.11	3,242,666.11
Other operating income	2,150.00	-20,543.91
Administrative expenses	-7,214,057.40	-6,506,015.48
Depreciation and impairment on tangible and intangible assets	-567,037.48	-525,783.72
Other operating expenses	-2,627,654.49	-2,418,947.34
Impairment losses on other financial assets	54,485.05	0.00
OPERATING PROFIT	**80,657,812.26**	**63,667,047.58**
Income taxes	-19,788,681.67	-15,616,222.63
PROFIT FOR THE PERIOD	**60,869,130.59**	**48,050,824.95**
Profit attributable to:		
Equity holders of the parent company	60,886,398.59	48,007,267.86
Non-controlling interest	-17,268.00	43,557.09

STATEMENT OF COMPREHENSIVE INCOME

Group, EUR	1 Jan – 30 Jun 2013	1 Jan – 30 Jun 2012
Profit for the financial period	60,869,130.59	48,050,824.95
Components of other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets (fair value reserve):		
Net change in fair value	3,198,681.42	22,807,679.89
Net amount transferred to profit or loss	-1,243,371.88	710,390.39
IAS 39 reclassification adjustment	95,316.00	148,233.00
Taxes related to components of other comprehensive income	-502,403.26	-5,798,244.30
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**62,417,352.87**	**65,918,883.93**
Total comprehensive income attributable to:		
Equity holders of the parent company	62,434,620.87	65,875,326.84
Non-controlling interest	-17,268.00	43,557.09

Consolidated Statement of Cash Flows

Group, EUR	1 Jan – 30 Jun 2013	1 Jan – 30 Jun 2012
CASH FLOW FROM OPERATING ACTIVITIES	**-717,598,753.29**	**771,095,356.93**
Change in long-term funding	1,234,816,935.14	2,269,264,162.90
Change in short-term funding	1,000,744,809.90	244,499,664.52
Change in long-term loans	-1,252,348,500.35	-1,044,658,712.55
Change in short-term loans	-24,151,179.96	393,466.18
Change in investments	-531,516,199.41	-1,325,276,073.78
Change in collaterals	-1,205,460,000.00	569,430,000.00
Interest paid	-7,788,430.08	-119,399,465.68
Interest received	82,849,193.15	184,368,213.85
Other income	6,861,730.16	3,239,669.24
Payments of operating expenses	-14,597,093.13	-10,679,921.32
Taxes paid	-7,010,018.71	-85,646.43
CASH FLOW FROM INVESTING ACTIVITIES	**-1,005,828.31**	**-634,205.78**
Acquisition of tangible items	-271,837.33	-164,559.29
Acquisition of intangible items	-733,990.98	-469,646.49
CASH FLOW FROM FINANCING ACTIVITIES	**-40,098,000.00**	**-173,000.00**
Change in capital loans	-40,000,000.00	0.00
Dividends paid	-98,000.00	-173,000.00
CHANGE IN CASH FUNDS	**-758,702,581.60**	**770,288,151.15**
CASH FUNDS AT 1 JANUARY	**1,991,448,034.42**	**2,475,444,173.53**
CASH FUNDS AT 30 JUNE	**1,232,745,452.82**	**3,245,732,324.68**

Cash funds include the following balance sheet items:
Cash & cash equivalents, loans and advances to credit institutions and debt securities maturing within three months.

Cash funds, EUR	30 Jun 2013	30 Jun 2012
Cash & cash equivalents	142,246,010.11	13,526,351.24
Loans and advances to credit institutions	345,019,321.91	2,135,130,609.95
Debt securities maturing within three months	745,480,120.80	1,097,075,363.49
TOTAL	**1,232,745,452.82**	**3,245,732,324.68**

Consolidated Statement of Changes in Equity

Group, EUR 1,000	Total equity attributable to parent company equity holders							
	Share capital	Reserve equity	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
EQUITY AT 31 DECEMBER 2011	**42,583**	**277**	**-14,210**	**40,366**	**135,434**	**204,450**	**241**	**204,691**
Dividends paid for 2011	-	-	-	-	-	0	-173	-173
Comprehensive income for the period	-	-	36,137	-	104,510	140,647	100	140,747
EQUITY AT 31 DECEMBER 2012	**42,583**	**277**	**21,927**	**40,366**	**239,944**	**345,097**	**168**	**345,265**
Dividends paid for 2012	-	-	-	-	-	0	-98	-98
Comprehensive income for the period	-	-	1,548	-	60,886	62,434	-17	62,417
EQUITY AT 30 JUNE 2013	**42,583**	**277**	**23,475**	**40,366**	**300,830**	**407,531**	**53**	**407,584**

NOTES TO INTERIM REPORT

1. Basis of preparation of the interim report

The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS). This interim report complies with the standard IAS 34 Interim Financial Reporting and the accounting principles presented in the 2012 consolidated financial statements.

The interim report of 30 June 2013 also complies with the following new and amended standards:

- IAS 1 Presentation of Financial Statements (amendment)
- IAS 34 Interim Financial Reporting (amendment)
- IFRS 13 Fair Value Measurement

The figures in the notes to the financial statements are presented in thousands. This interim report has not been audited.

2. Derivative contracts

30 Jun 2013, EUR 1,000	Nominal value of underlying instrument	Fair value Positive	Fair value Negative
Contracts not included in hedge accounting (IFRS classification)			
Interest rate derivatives			
Interest rate swaps	6,423,162	45,625	-65,206
Currency derivatives			
Cross currency interest rate swaps	48,447	218	-216
Forward exchange contracts	2,036,850	1,755	0
Equity derivatives	2,639,691	162,530	-162,530
Other derivatives	224,976	36,319	-35,959
Total	**11,373,126**	**246,447**	**-263,911**
Contracts under hedge accounting (IFRS classification)			
Interest rate derivatives			
Interest rate swaps	23,063,949	312,332	-277,308
Currency derivatives			
Cross currency interest rate swaps	15,729,312	837,055	-455,791
Total	**38,793,261**	**1,149,387**	**-733,099**
Grand total	**50,166,387**	**1,395,834**	**-997,010**

31 Dec 2012, EUR 1,000	Nominal value of underlying instrument	Fair value Positive	Fair value Negative
Contracts not included in hedge accounting (IFRS classification)			
Interest rate derivatives			
Interest rate swaps	6,196,383	56,035	-91,858
Currency derivatives			
Cross currency interest rate swaps	53,858	329	-323
Forward exchange contracts	927,088	592	-13,249
Equity derivatives	3,790,493	172,391	-172,391
Other derivatives	365,562	44,093	-43,733
Total	**11,333,384**	**273,441**	**-321,554**
Contracts under hedge accounting (IFRS classification)			
Interest rate derivatives			
Interest rate swaps	18,625,030	516,296	-378,058
Currency derivatives			
Cross currency interest rate swaps	14,041,357	1,761,946	-238,371
Total	**32,666,387**	**2,278,242**	**-616,429**
Grand total	**43,999,772**	**2,551,683**	**-937,983**

3. Contingent liabilities

Liabilities and collateral, EUR 1,000	30 Jun 2013	31 Dec 2012
Loans pledged to the central bank	1,931,088	2,036,320
Loans pledged to the Municipal Guarantee Board	14,729,017	13,381,558
Debt securities pledged to the Municipal Guarantee Board	5,631,671	5,738,476
Deposits pledged to the Municipal Guarantee Board	20,000	20,000
Total	**22,311,776**	**21,176,354**

Off-balance-sheet commitments, EUR 1,000	30 Jun 2013	31 Dec 2012
Binding credit commitments	1,587,947	1,247,588
Total	**1,587,947**	**1,247,588**

4. Related party transactions

Municipality Finance's related parties are shareholders whose ownership and corresponding voting rights in the company exceed 20%, the CEO, the Deputy to the CEO, members of the Board of Directors, the principal auditor, the spouses and under-aged children of these persons and corporations controlled by them. Municipality Finance's operations are restricted by the Act on the Municipal Guarantee Board and the framework agreement concluded between the company and the Municipal Guarantee Board, pursuant to which the company may only grant loans to parties stipulated by the Act on the Municipal Guarantee Board (municipalities, municipal federations, corporations that are wholly owned by municipalities or under their control and corporations designated by government authorities and engaged in the renting or production and maintenance of housing on social grounds). Municipality Finance has not carried out any business transactions with related parties with the exception of employment-based remuneration. Municipality Finance does not have loan or financial receivables from related parties.

Municipality Finance's related parties also include its subsidiary Inspira. Transactions with Inspira comprise fees related to administrative services.

5. Financial assets and liabilities measured at fair value

30 Jun 2013, EUR 1,000	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Items measured at fair value through profit/loss				
Debt securities	1,047,720	-	-	1,047,720
Loans and advances to the public and public sector entities	-	6,684,532	-	6,684,532
Derivative contracts	-	246,447	-	246,447
Hedging derivatives	-	1,149,387	-	1,149,387
Available-for-sale assets				
Debt securities	4,544,039	14,470	-	4,558,509
Shares in investment funds	9,996	-	-	9,996
Total assets measured at fair value	**5,601,755**	**8,094,836**	**–**	**13,696,591**
Liabilities measured at fair value				
Items measured at fair value through profit/loss				
Liabilities to credit institutions	-	1,962,177	-	1,962,177
Liabilities to the public and public sector entities	-	758,207	-	758,207
Debt securities issued	-	16,960,359	-	16,960,359
Subordinated liabilities	-	38,458	-	38,458
Derivative contracts	-	263,911	-	263,911
Hedging derivatives	-	733,099	-	733,099
Total liabilities measured at fair value	**–**	**20,716,211**	**–**	**20,716,211**

Level 1 Fair value is based on values quoted for identical assets or liabilities on active and functioning markets.

Level 2 Fair value is based on input data other than Level 1 quoted prices.
Prices can be verified either directly or indirectly.

Level 3 Fair value is based on input data that are not based on verifiable market prices.

No reclassifications between levels were made during the 2013 financial year.

6. Financial assets and liabilities

30 Jun 2013, EUR 1,000 Financial assets	Loans and receivables	Available for sale	Held to maturity	Fair value through P/L	Hedging derivative contracts	Total	Fair value
Cash & cash equivalents	142,246	-	-	-	-	142,246	142,246
Loans and advances to credit institutions	345,019	-	-	-	-	345,019	345,019
Loans and advances to the public and public sector entities	10,222,867	-	-	6,684,532	-	16,907,399	17,514,964
Debt securities	-	4,558,509	900,737	1,047,720	-	6,506,966	6,492,388
Shares and participations	-	10,023	-	-	-	10,023	10,023
Derivative contracts	-	-	-	246,447	1,149,387	1,395,834	1,395,834
Total assets	**10,710,132**	**4,568,532**	**900,737**	**7,978,699**	**1,149,387**	**25,307,487**	**25,900,474**

Financial liabilities	Other financial liabilities	Fair value through P/L	Hedging derivative contracts	Total	Fair value
Liabilities to credit institutions	964,865	1,962,177	-	2,927,042	2,927,100
Liabilities to the public and public sector entities	202,166	758,207	-	960,373	956,268
Debt securities issued	2,887,669	16,960,359	-	19,848,028	19,847,386
Derivative contracts	-	263,911	733,099	997,010	997,010
Subordinated liabilities	11,009	38,458	-	49,467	50,403
Total liabilities	**4,065,709**	**19,983,112**	**733,099**	**24,781,920**	**24,778,167**

Loans and advances to the public and public sector entities include EUR 67,993 thousand in receivables based on leasing agreements.

MUNICIPALITY FINANCE PLC

P.O.Box 744, Jaakonkatu 3 A
FI-00101 HELSINKI
Tel. +358 9 6803 5666
www.munifin.fi
firstname.lastname@munifin.fi