

Positive Result for Municipality Finance Plc

Municipality Finance Plc's loan portfolio increased by 29% in 2008, totalling EUR 7,567 million at the end of the year (Dec. 31, 2007: EUR 5,849 million). New loans granted amounted to EUR 1,682 million, hitting a new record (Dec. 31, 2007: EUR 1,314 million).

"In the history of Municipality Finance Plc, the financial year 2008 will be regarded as exceptional. The core business of the company performed well, and the consolidated balance sheet increased a total of 40%. However, the company's capital adequacy was decreased by this solid growth. Our position in the markets was further reinforced as the other financial institutions practically withdrew from financing the municipal sector," says CEO Pekka Averio. In addition, the first financial year of the subsidiary Financial Advisory Services Inspira Ltd resulted in positive figures.

The consolidated balance sheet total of the Municipality Finance Group stood at an unprecedented EUR 12,512 million on December 31, 2008 (Dec. 31, 2007: EUR 8,913 million). The company's capital adequacy was 13.6% at the end of 2008 (Dec. 31, 2007: 23.8%). The net operating profit for the financial year before appropriations and provisions stood at EUR 2.7 million (Dec. 31, 2007: EUR 8.8 million).

Despite the extremely challenging competitive situation, the company continued to improve its position as a financier for municipalities and municipal federations. During the financial year, Municipality Finance received requests for tender worth a total of EUR 2,736 million, of which it won EUR 1,708 million, i.e., 76% of all its competitive bidding.

Record-breaking funding

Funding continued actively for Municipality Finance. The parent company raised a total of EUR 4,527 million (2007: EUR 2,145 million) in long-term funding. During the financial year, a total of 324 funding arrangements were made in the international markets. In the domestic market, 11 Municipal Bonds were issued.

The Asian market continued to be the most significant source of funding for Municipality Finance, with Japan still being the single most important market. Apart from Asia, Municipality Finance concluded arrangements in Australia, not to mention making its first arrangements in the New Zealand market. Particularly significant European markets included Germany and Switzerland, where the parent company was a very prominent issuer. In the Nordic countries, a considerable amount of funds were acquired in Norway and Sweden.

The best credit ratings

The two important credit rating agencies, Standard & Poor's and Moody's, confirmed the best possible credit ratings for Municipality Finance Plc during the financial year. Municipality Finance Plc is the only Finnish credit institution with the same ratings as the Republic of Finland.

Capital increase planned

"In the current economic situation, demand for funding in municipalities will increase even further. This requires strengthening the company's capital structure. Raising increase is necessary in order to meet the municipalities' increasing funding needs in the future, as well. The Finnish government has decided to participate in the share issue with an investment of EUR 20 million, meaning that the municipal sector would have to place a minimum investment of EUR 9 million. Our position and the competitiveness of our funding in the international capital markets are reinforced by the best possible credit ratings confirmed for Municipality Finance Plc and the Municipal Guarantee Board by both Moody's and S & P. Together these credit ratings represent unique creditworthiness," says CEO Pekka Averio.

The full financial statements for 2008 will be published on March 5, 2009.

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Municipality Finance Plc is a local government credit institution owned by Finnish municipalities and the Local Government Pensions Institution and is the parent company of the Municipal Finance Group. The company's mission is to ensure top-value financial services for the municipal sector, to be efficient and to grow profitably. The Group's balance sheet totalled EUR 12,512 million on December 31, 2008. The company offers market-based funding to municipalities and municipal federations, to municipality-controlled entities and non-profit housing corporations. The company's funding, which is guaranteed by the Municipal Guarantee Board, is obtained from international capital markets and domestic investors. Funding provided by the company goes into social and non-profit service projects, such as schools, housing and hospitals. The Group includes Financial Advisory Services Inspira Ltd, which offers financial advisory services for investments, financial and asset arrangements, asset management and various analysis services.

